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NEW ERA FOR DEVELOPMENT COOPERATION

Case: Finland and Viet Nam

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ABSTRACT

This thesis deals with the government funded development cooperation between Finland and Vietnam. Vietnam has long been one of Finland's bilateral development cooperation partners. The purpose of this thesis is to determine the optimum future form of development cooperation that exploits the strengths of both parties and which can be of mutual benefit. The thesis will also examine whether the development cooperation can be commercial in the future.

The first section, concerning global poverty, will focus on dealing with the concepts of poverty, the causes and consequences of poverty, as well as the current state of poverty. The second section, concerning development cooperation will examine the concept of development cooperation, the objectives and results of development cooperation as well as criticize the impact of the World Trade Organization, the World Bank and the International Monetary Fund on global poverty and development. This section will also identify the different phases and results of Finland's development cooperation.

The third part of the thesis focuses on combining the first and second sections into cooperation between Finland and Vietnam. The beginning of the section will introduce a brief history of Vietnam, Vietnam's economic situation as well as the current situation. At the end of the section, the phases, objectives and results of the development cooperation between Finland and Vietnam will be examined and the future objectives within financial resources will be sorted out. In this section, the strengths and weaknesses of Finnish development cooperation in Vietnam will be studied also, with the help of SWOT analysis.

The thesis research results indicate that the forms of Finnish development cooperation have changed over the last 40 years, from individual and massive projects to partnerships supporting the sustainable development of the host country. When financial aid changes to development cooperation between two countries the partnership enables mutual benefit. When the destination country reaches a certain economic level, the development cooperation can be changed into a commercial direction in which the companies, institutions and other organizations of the helping country and the target country work together.

Keywords: development aid, development cooperation, commercial development cooperation, sustainable development, Finland's development work, Vietnam

Tämä opinnäytetyö käsittelee Suomen ja Vietnamin välistä valtion tukemaa kehitysyhteistyötä. Vietnam on pitkään ollut yksi Suomen kahdenkeskisistä kehitysyhteistyökumppaneista. Opinnäytetyön tarkoituksena on selvittää tulevaisuuden kannalta paras mahdollinen kehitysyhteistyömuoto, joka hyödyntää molempien osapuolien vahvuuksia ja josta saadaan molemminpuolinen hyöty. Opinnäytetyö tutkii myös voiko kehitysyhteistyö olla tulevaisuudessa kaupallista.

Ensimmäisessä, globaalia köyhyyttä koskevassa osiossa keskitytään käsittelemään köyhyyden käsitettä, köyhyyden syitä ja seurauksia sekä köyhyyden nykytilaa. Toisessa, kehitysyhteistyötä koskevassa osiossa tutkitaan kehitysyhteistyön käsitettä, kehitysyhteistyön tavoitteita ja tuloksia sekä kritisoidaan Maailman kauppajärjestön, Maailman pankin ja Kansainvälisen valuuttarahaston vaikutusta globaaliin köyhyyteen ja kehitykseen. Tässä osiossa käydään myös läpi Suomen kehitysyhteistyön eri vaiheet ja työn tulokset.

Opinnäytetyön kolmas osio keskittyy yhdistämään ensimmäisen ja toisen osion Suomen ja Vietnamin väliseen yhteistyöhön. Osion alkupuolella käydään läpi lyhyesti Vietnamin historia, taloudellinen kehitys sekä nykytilanne. Osion loppupuolella tarkastellaan Suomen ja Vietnamin välisen yhteistyön vaiheita, yhteistyön tavoitteita ja tuloksia sekä selvitetään tulevaisuuden tavoitteita taloudellisten resurssien puitteissa. Tässä osiossa pyritään myös selvittämään Suomen kehitysyhteistyön vahvuudet ja heikkoudet Vietnamin SWOT analyysin avulla.

Opinnäytetyön tutkimuksen tulokset osoittavat, että Suomen kehitysyhteistyön muodot ovat muuttuneet viimeisen 40 vuoden ajan yksittäisistä ja massiivisista projekteista, kohdemaan kestävästä kehitystä tukeviin kumppanuuksiin. Rahallisen kehitysavun muuttuessa kahden maan väliseksi kehitysyhteistyöksi, kumppanuus mahdollistaa molemminpuolisen hyödyn. Kun kohdemaata saavuttaa tietyn taloudellisen tason, kehitysyhteistyötä voidaan muuttaa kaupalliseen suuntaan, jossa antajamaan ja kohdemaan yritykset, instituutiot ja muut organisaatiot toimivat yhteistyössä.

Asiasanat: kehitysapu, kehitysyhteistyö, kaupallinen kehitysyhteistyö, kestävä kehitys, Suomen kehitysyhteistyö, Vietnam

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1 INTRODUCTION

1.1 Background

The author's great interest in development work and poverty reduction has increased during the time of her studies in the past three years. The author has improved her knowledge by participating in various classes related to the topic. While travelling in the rural areas of North Africa and South Asia and being able to see the lives of extremely poor people, the author started to wonder whether any of the development aid actually reached the ones in need and how could it be aimed better.

During the past years, the issue of poverty has risen to the knowledge of human beings worldwide. At present, poverty reduction and development work are discussed in every media and an increased number of people are interested in taking actions towards a more equal world. However, as the knowledge of the state of the world's poorest people has increased so has the knowledge of corruption as well as lacking capabilities and actions to sustainable development. Unfortunately, only a few percentages of the aid sent to the poorest countries will reach the ones in need: people living at the grass roots level, under absolute poverty. Corruption is strong among all participants, especially in the third world countries. Likewise, a big part of the bilateral development cooperation done on the poorest countries tends to fail due to the lack of knowledge on both parts.

Furthermore, now that the markets of the European Union are in turmoil and the world seems to be slipping into a global recession, people have more concerns within their own lives, including the "rich" developed western countries. An increasing number of people are losing their income and are forced to live on lower budgets. Therefore, people tend to be more conscious about their spending and do not want to invest money on actions that have great possibilities to do more harm than good, and more importantly on actions that do not have sustainable effect.

Finland gives a rather large amount of money to support the development of poor countries each year. As a part of the United Nations, Finland is committed to the

European Council conclusion of 2005 to reach the 0.7% of gross national income (GNI) to give away as Official Development Assistance (ODA) by the end of the year 2015. In the year 2013 Finland is giving appropriations of 1 173 million euro. (Ministry for Foreign Affairs of Finland 2013) In recent years, Vietnam has been the greatest receiver of the Finnish aid. Now that the economy of the country has experienced a rapid growth and is in a period of being integrated into the global economy, Finland is gradually shifting from development cooperation to other cooperation actions. Fundamental sectors in further cooperations are set in environmental and climate change issues. (Global Finland 2013)

1.2 Objectives and research questions

The objective of the thesis is to examine which is the best possible way to support Vietnam in the future, so that both parties will reach beneficial results from the cooperations. This study aims to gather new insights of the cooperation between these two countries and to explore whether the development aid given by Finland could be commercially organized. This study is conducted in the areas of International Business and Development Work.

The Specific research questions are;

1. In which areas of development Finland should set its main target in order to help Vietnam gain sustainable development?
2. How can the development cooperation benefit the most of both parties?
3. Can the cooperation between Finland and Vietnam be commercially organized?
4. Is development cooperation necessary?

1.3 Limitations

As the area of the study is globally widespread and infinite, there are several limitations regarding the scope of the study. The study will solely concentrate on the cooperations between Finland and Vietnam and will cover only the development aid provided by Finnish state. Other methods of development work

will not be examined. The overall development of Asia will be taken into comparison, but not examined into depth. Other continents with poor areas will not be taken under consideration or examination excluding few comparisons. The thesis does not take under consideration any legal factors such as labor laws. Due to the lack of accurate data, explained on chapter 2.1.1, most of the numbers and statistics used in the thesis are estimations. The author is not currently studying development work, there for her knowledge is simply limited into interest of the topic.

1.4 Theoretical framework

The following figure will show how the thesis will navigate through the extensive amount of information available to reach the destination by concentrating only on important matters to this study and that are needed to establish the knowledge base for the empirical part of the thesis. The topics with blue background will be studied while the topics with red background will not.

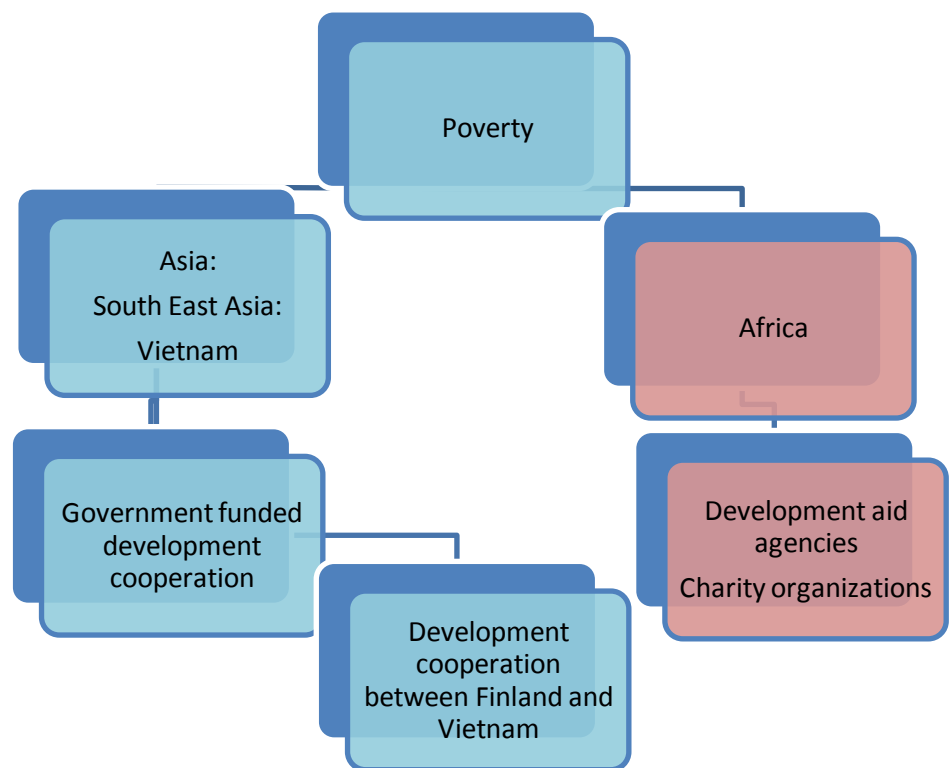


FIGURE 1. Theoretical framework.

1.5 Research method and data collection

There are two main research approaches used in studies: deductive and inductive. While deductive approach is used to test an already existing theory, inductive is aiming to generate a new theory based on data collected. Even though, there are no set rules, deductive approach is usually linked with quantitative research and inductive is associated with qualitative research. (Burney 2008, 4-5) Exploratory *qualitative research method* is used when one does not know what to expect. The method defines a problem or develops an approach to the problem by answering questions *what – how*. Qualitative research method can be used when one needs to get a deeper understanding of the problems and explore topic related nuances. Conclusive *quantitative research method* is used when one want to quantify the problem and know how prevalent it is by answering questions *how many – why*. While qualitative research gathers data from interviews, focus groups and observations, quantitative research gathers data through surveys, audits and click-streams. (Newman & Benz 1998, 3) The following figure will demonstrate what and how these methods are used in this thesis.



FIGURE 2. Research methodology.

The primary data for this thesis is gathered by interviewing various experts in the field of development work, and other persons interested or otherwise involved in the subject. Different literature, articles and the Internet are used as secondary sources of data. The thesis moves from theory through hypothesis and observations to confirmation, therefore deductive approach is selected.

Furthermore, as the thesis aims to answer questions *what - how* instead of *how many – why*, the qualitative research method is chosen.

1.6 Thesis structure

The following figure will demonstrate the structure of the thesis.



FIGURE 3. Structure of the thesis.

The thesis is started with a Chapter 1, introduction. Chapter 2 is the first theoretical part of the theses and will introduce the reader to the issue of poverty, its effects and present state. Chapter 3 will concentrate on introducing the subject of development cooperation. This chapter will also introduce the Finnish development cooperation. Chapter 4 gives a short overview of Vietnam's development and concentrates mainly on the development cooperation between Finland and Vietnam. Chapter 5 provides a conclusion by summarizing the findings to the research questions. Finally, the whole thesis will be summarized in Chapter 6.

2 WORLD POVERTY

“Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time.

Most often, poverty is a situation people want to escape. So poverty is a call to action -- for the poor and the wealthy alike -- a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities.”(World Bank 2013)

2.1 What is poverty?

The World Bank states that if a person's income or consumption level falls below a nationally set minimum level to meet basic needs, the person is considered to be poor. This minimum level is known as the *poverty line*. It is clear that basic needs differ across societies and time therefore every country uses a different poverty line, set for a specific region at a specific time based on the level of development, societal norms as well as values. However, in order to estimate global poverty a set poverty line has to be used worldwide. As of 2005, the World Bank defines people earning less than 1.25USD a day, as those living in extreme poverty. People earning between 1.25USD and 2USD a day, are referred to be living in moderate poverty. These two lines are most commonly used in developing countries, where the poorest of all people are living. However, when talking about the poverty that more often occurs in developed and socialized western countries, one is talking about relative poverty which differs from the poverty seen in third world countries. It is important to understand the difference between these classes. In such cases where both, relative and extreme poverty are present, it is the latest which is more serious issue to be concerned. The three different states of poverty are discussed more in the following chapters. The World Bank's reference lines are applied to estimate the size of each group.

The poorest at the bottom of the pyramid, people living in *extreme poverty* are those who cannot meet basic needs for survival. They are extremely undernourished, chronically hungry and lack the access to safe drinking water.

Most of them do not have homes, they don't own land, they are constantly moving after food to survive in life. What is more, they may not even have a roof to keep the rain and they are often missing basic pieces of clothing, such as shoes. For these people, life is a constant struggle for survival. Everyday life is a fight against death, for their children and for themselves. The World Bank (2013) estimates that in 2010 the number of people living in extreme poverty was approximately 1.2 billion.

Most of the people escaping extreme poverty end up in the group referred to as those living in *moderate poverty*, which in fact includes a majority of the world's poor. People in this group meet basic needs but just barely. Things like health care and education, that are most often taken for granted in western countries, are hardly ever available. One misfortune, even the smallest, such as job loss, illness, natural disaster or inflation threatens their survival each day and it may cause them to spiral down to the lowest level, living in extreme poverty. According to the estimates of the World Bank (2013) the proportion of people living in moderate poverty in 2010 was approximately 2.5 billion.

When a household is living in *relative poverty* it falls below a given national level of average national income. It is a reflection of the distribution of income in a given country. Being poor in a high income country differ from being poor in a developing country, although the situation may be as severe. In average, a poor in developed countries lacks access to cultural goods, recreation, entertainment and quality health care. In addition, it may lack access to education or any other prerequisites for upward social mobility. Most often, people living in relative poverty do not receive as much attention with the focus on solving the problem, compared to those living in either of the previously mentioned poverty classes, where suffering is more obvious. Despite the fact that there exist no formal estimates of the proportion of people living in relative poverty, it would not be surprising if yet another billion of people would fall to this class. This would make the total number of poor people in the world to over 4 billion – a majority of us. (Kotler & Lee 2009, 6-7)

2.1.1 Measuring poverty

There are several reasons for measuring poverty and development. Governments want to know the percentage of population living in poverty, to know the percentage among different groups and to track whether the number is rising or falling. One of the main reasons to measure global and national poverty is that governments want to be able to provide direction for developing poverty reduction strategies. While poverty reduction has become an issue concerned worldwide, there is no international unanimity on guidelines for measuring it. Economic terms indicate that a household is living in poverty when its income level falls behind some nationally established limit. However, it measures the family as a whole ignoring individuals. Like said previously, where the limit of *income poverty* varies from one country to another, *extreme poverty* indicators set an international limit of less than 1.25USD a day amounting roughly 456USD per year, which is far less than an average worker earns per month in industrialized countries. (UNESCO 2013)

In most cases concerning poor developing countries, measuring poverty and development is extremely hard due to the lack of reliable data and statistics. Developing countries hardly ever keep accurate statistics on births and deaths nor do they have data broken down to gender, economic status, ethnicity and other variables. Furthermore, struggling nations find it hard to design and implement appropriate population and development policies. Sometimes the information needed is collected by people walking from door to door. Problems occur when people do not have homes and they are living on a street. In some cases, the information about the number of people or gender, deaths and births, is collected by village doctors. However, not every family can afford to see a doctor; many of them give birth to children at their homes, assisted by other family members. In both cases, when the information collected finally reaches legal authority, the data is already old. Some people have died and some new have been born. In addition, families do not necessarily have permanent homes keeping them on move after food, water and a hope for better living conditions. Therefore reliable statistics on migration, especially on regional and international levels are inadequate. It is important to recognize that the lack of accurate data, statistics as well as

appropriate tools for collection and maintaining ensure only on estimations. These estimations can be further used and analyzed to give the best possible overview and understanding of the situation of developing world. (Allen & Thomas 2000, 11-19)

2.1.2 Why are poor people poor?

The debate for the causes of poverty is ongoing. Some blame the poor to be lazy and unwilling to make an effort. However, this is stereotypic and cannot be applied to the whole underclass. Often poor are able and willing to work whenever there is a chance. There are other more severe and more powerful forces affecting and preventing them to escape poverty. The most discussed factors to contribute poverty can be divided into seven major categories:

1. Adverse *environmental factors* including natural disasters, climate change, overplanting, water contamination and deforestation. All these factors are severe for poor people in developing countries. Environmental factors are a root cause of a significant burden of death, disease and disability, particularly in developing countries.
2. *Health* problems are often resulting impacts of environmental factors and are estimated to cause approximately 25 percent of death and disease worldwide. Poor health conditions may result from the lack of inadequate access to health care, poor nutrition, chronic diseases and the spread of AIDS, malaria and tuberculosis.
3. *Economy* can forward or set back the development of any country. Poor countries especially suffer from widespread unemployment, economic failures and low wages. The wealthier you are, the more likely you are to benefit from economic or political policies.
4. Lack of adequate *infrastructure* includes roads, water supply and electricity. These basic forms of infrastructure are necessary for a society to function: people cannot access to previously mentioned health care if there are no hospitals, the lack of roads to transport goods prevent trade to take place.

5. *The lack of education* and knowledge keeps poor people entering better jobs with higher salaries. Families may have poor access to schools, they may not have enough money to afford them or they do not let the kids to attend school because their contribution is needed on the farm or other family businesses. Those who have the possibility to educate themselves often move abroad after better jobs and higher salaries. Consequently, the number of highly educated work force will not increase, new job positions will not be created and profits will not be made.
6. *Social Factors* that prevent the escape out of poverty include crime, uneven wealth distribution, domestic violence, wars, gender inequities, discrimination as well as individual beliefs, actions and choices.
7. *Poor family planning* sometimes reflects to the lack of access to counseling and other related services. It can also be a result of religious or cultural beliefs.

(Kotler & Lee 2009, 11-13)

These causes of poverty are often also the effects of it. For example, not having drinkable water and food means one is poor, but being poor means that one cannot afford such things. Thus the problem of poverty should be looked at both ends. People born in poor areas often end up in the cycle of poverty which is hard to break. (Plan Canada 2013) The following figure 4 will demonstrate the poverty cycle.

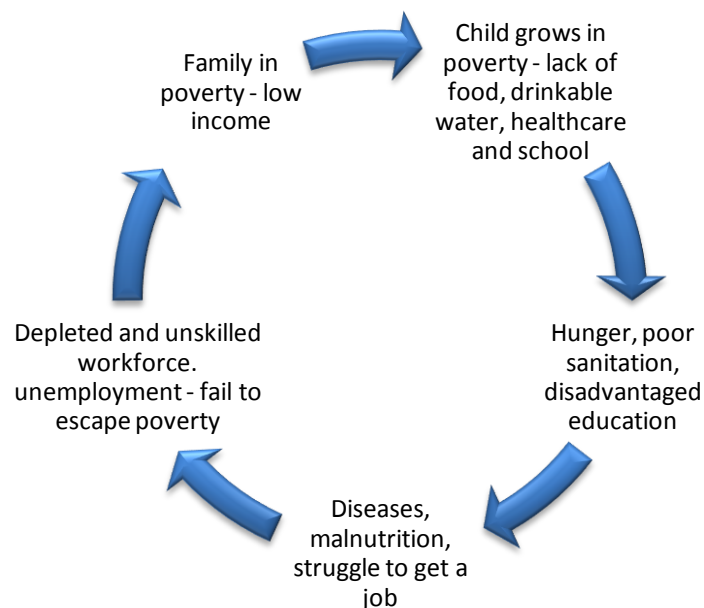


FIGURE 4. Poverty cycle. (modified from Plan Canada 2013).

Several causes of poverty such as lack of food, drinkable water and healthcare are causes of poverty but also effects of poverty and are often interrelated. This means that they seldom occur alone. For instance diseases spread due to bad sanitation and people are more vulnerable to them due to lack of food and water. Kids born in poor families often lack financial resources thus they cannot enter schools, they cannot afford food nor drinkable water and healthcare is often not even an option. Kids in schools mean less workforce in family farms resulting less food in the table. If and when kids have the opportunity to gain education, often after primary school they drop out to help their families in farming or any other activities. Either situation leads to hunger, lacking sanitation and poor education, later to malnutrition, diseases and struggle to get a job. When these kids later have their own kids, they are most likely to be born in the same situation with the same life supplies. Plan thinks that the cycle can be broken and it all should start with investing kids. When children are helped out of the situation at the very beginning, they manage to escape poverty and the resulting diseases. When they have good education and health from the start, the future will look significantly brighter and opportunities will follow. (Plan Canada 2013)

2.1.3 Global crises affecting the world's poorest

A series of crises that took place in the twenty-first century has aggravated the already deep conditions of global economic inequality and poverty in third world countries. After the collapse of the US housing market in 2007, due to unsound lending practices, economic difficulties ushered throughout the global financial system. The results varied in many including the collapse of major banks, significant reduction in the availability of credit as well as the starting of global recession. Many economists suggest that the financial crisis of 2007 is the worst shockwave since the Great Depression during the 1930s. It did not only have a great impact on the countries directly involved, but had also an impact to their counterparts in developing countries and markets. (Clapp & Wilkinson 2010) For example, the remarkable increase in oil prices was, and still is, one of the factors testing the stamina of the world's markets. During the first ten years of the twenty-first century, the average global oil price rose from approximately 25USD

per barrel to over 100USD per barrel. Due to the extremely high prices the oil consumption dropped down significantly; United States witnesses a fall of 1.6 million barrels per day (bpd) while in the European Union the number was 1.2 million bpd and Japan registered a fall of 900,000 bpd being the only country in Asia Pacific region to register a downfall in oil consumption. Due to the global struggle, the IMF (International Monetary Fund) encourages world trade volumes came crashing down. (Rapier 2012)

The Global Financial Crisis and rising oil prices were joined with steeply risen food prices. Within two years, between 2006 and 2008, prices of basic nutrient – maize, rice, corn, wheat and soya – increased substantially. The approximate world price for rice increased as much as 217 percent; the price of wheat increased by 136 percent and corn had an increase of 125 percent from its previous price. The bills of overall food imports increased approximately 25 percent during the year 2007 in developing countries. The effects could be seen widely across the globe ranging from diet changes to biofuel production as well as lack of commodity resources. While farmers in developing countries are devoting more and larger parts of their crops to fuel production, they are diminishing land and other resources available for food production. Similarly increased need of maize for biofuels has resulted as decreased resources for other commodities. Inevitably, these crises has hit the most vulnerable of us the roughest escalating in civil unrest in more than 40 developing countries due to the lack of poors' ability to access food. Not until approximately 100 million people were added to the ranks of undernourished, the World Food Programme (WFP) submitted a plea for an additional 755 million USD funding to meet food needs of the people living in extreme poverty. Despite the drop of international food prices after the meltdown of the financial crisis in late 2008, prices in developing countries remained high and volatile due to dried up western credit sources and decreased food exports. (Clapp & Wilkinson 2010)

In May 2013 the United Nations Food and Agriculture Organization (FAO) reported that the production of wheat, coarse grains and rice is expected to hit record high after some severe natural disasters that hit the globe over the last

years. While production is growing, prices are slightly increasing as well which will once again put a pressure on the shoulder of the poorest. (FAO 2013)

2.2 Poverty at the present state

Regardless of the curve balls that higher forces are throwing at the poorest, developing countries as a whole have witnessed remarkable progress on poverty reduction. According to the World Bank, the first Millennium Development Goal (MDG) of halving the 1990 poverty rate by the end of 2015 was already reached in 2010. The World Bank's new provisional estimates for the year 2010 indicate that the proportion of people living in extreme poverty in developing countries was 20.6 percent, whereas in 1990 it was estimated to be 43.1 percent. In contrast, due to the risen child birth rate and increased population, the number of poor living under 1.25 USD in 2010 was 1.22 billion, while in 1990 it was 1.91 billion. Even though the poverty rates have declined remarkably in all regions, progress has been uneven. While East Asia improved human conditions and essentially smashed extreme poverty rate from 77.2 percent to 12.5 percent between 1981 and 2010, Sub-Saharan Africa managed to reduce poverty as little as 3 percent from 51.5 percent to 48.5 percent. South Asia succeeded to cut half the proportion of people living under 1.25 USD a day, which in 2010 was 31 percent. (World Bank 2013)

Although one can see significant progress on improving human well-being and reducing poverty on a global scale, disparity and inequality still exist everywhere. Over the past 50 years developing countries have experienced phenomenal economic growth but at the same time inequality with respect to wealth and income has become more pronounced. For example, Southeast Asia has successfully been able to increase economic growth but gains in poverty reduction as well as inequality amelioration have stagnated, even been rolled back. Despite the progress of improving human well-being on a wide global scale, closer look at the third world countries prove that improvements of life expectancy and well-being have not occurred, or even worse, have actually been negative in large parts of developing countries. Most remarkable improvements have been made in newly industrialized countries, including Russia, Brazil, South-Africa and China as

well as India. Furthermore, the gap between rich and poor continues to widen. Over half of the world's wealth is owned by the richest 2 percent of the world's population. In comparison, the poorest 50 percent of the world's population owns only 1 percent of the world's wealth. Similarly, 10 percent of the people at the top of the pyramid receive over half of the world's income, while 10 percent at the lowest level earns only 0.7 percent. In 1987, the 10 richest countries of the world earned six times more income compared to the poorest ten. Twenty years later, the 10 richest countries are holding 42 times the income of the bottom 10 countries which unfortunately proves that the world's wealth is divided in a highly uneven fashion and the gap continues to grow. (Clapp & Wilkinson 2010) The following figure will show how the poverty is divided between continents and countries.

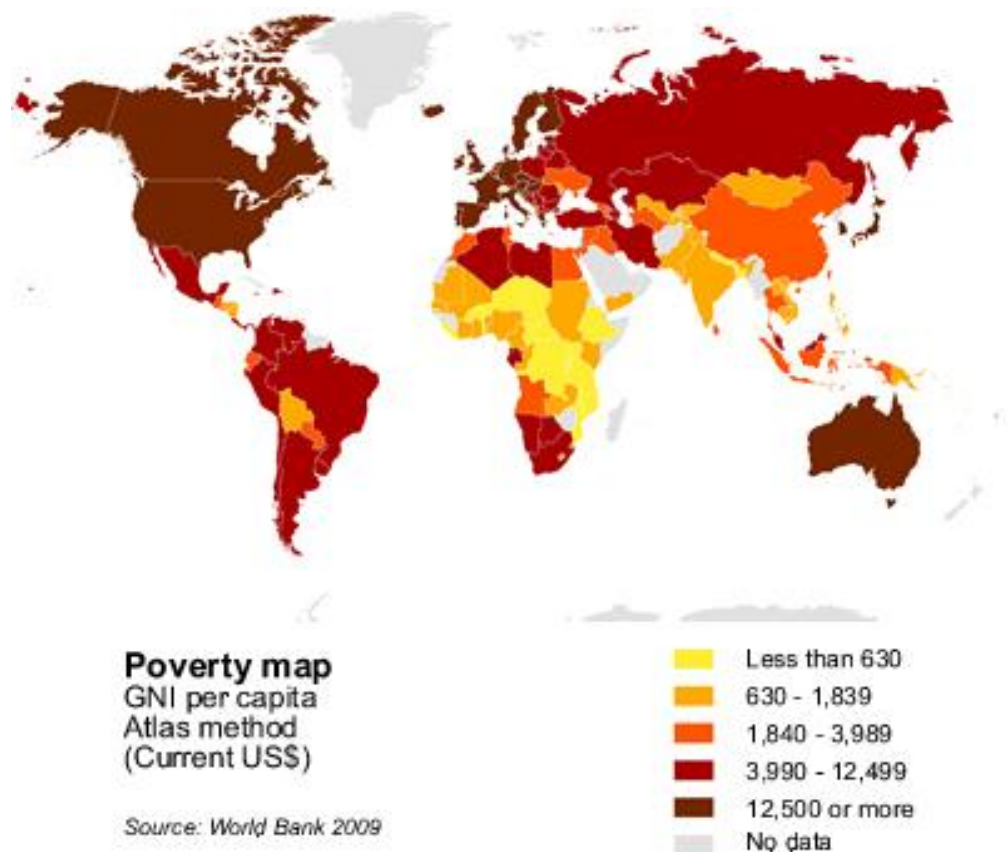


FIGURE 5. World poverty in 2009. (Rural Poverty Portal 2013)

Even though the number of people living under extreme poverty has been reduced by half, the well-being of these people has hardly improved. Most of them still lack the access to very basic needs like food, drinkable water, education and welfare. The poverty line of 1.25USD, used to measure extreme poverty, is

average for the poorest 20 countries of the world. The majority of the progress witnessed in poverty reduction has happened within this group of poor people. On the contrary, those living in moderate poverty, the poverty line between 1.25USD and 2USD have experienced significantly less progress versus those in extreme poverty. In 1981 the proportion of people living in moderate poverty was 2.6 billion. Almost 30 years later, the number has only dropped to 2.5 billion which means that one third of the people on earth are still living in severe poverty. Moreover, the number of chronically undernourished people in developing countries has been rising over the past years. (World Bank 2012)

2.3 Why should we help?

Poverty is a state from which the majority of the world's people are suffering. Is it enough to blame the poor or should the western countries take actions to help them escape it? The following figure 6 will show some of the brutal facts of the severe state.

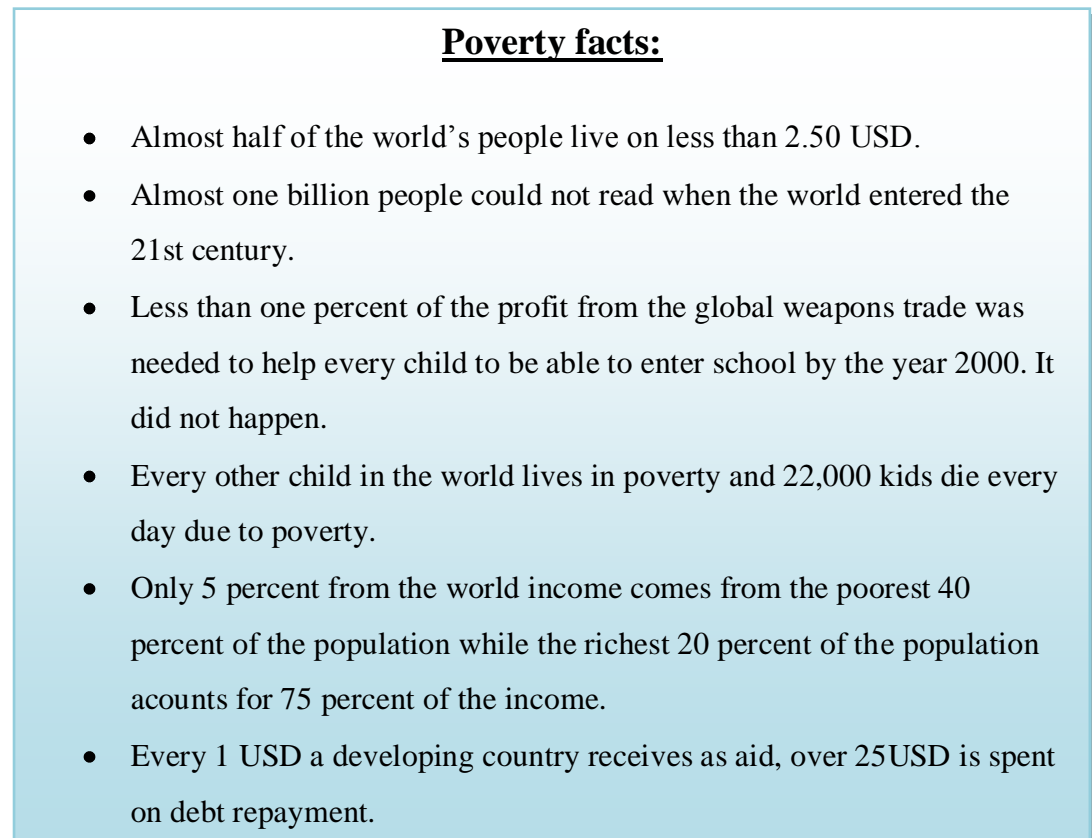


FIGURE 6. Poverty facts. (modified from Global Issues 2013).

We are all people and everyone deserves a chance for a good life. There seems to be a great inequality of human life between rich North and poor South. Can one put a price on human life based on the fact where one happens to be born? Anyone of us, living in the rich countries could have been born without money, without family and without a hope for better. In reality, country and region borders are borders of big multinational companies controlled by the world's elite. A major part of the damage done in developing countries is made by Western multinational companies. Factories that produce commodities for global, well known brands pollute environment, violate human rights and deplete natural resources until they move to another developing country with cheaper production

and richer raw materials. These products are later sold in industrialized countries with a much higher price. Multinational companies gain huge revenues and developing countries suffer, at every stage. Would it not be ethical to help them recover from the damage that they have not done by themselves? Who will help developing countries, if Westerns do not take responsibility for their own actions? Poverty is not just about a lack of money. It is about a lack of knowledge, a lack of choices, a lack of opportunities and a lack of all sorts of things that many of us living in developed countries consider essential for life. People say that poor should require more in favor of their own interests. The problem is that they often do not know any better, they do not know what to demand, and they do not know how things work and how to ask for more. Most of all poverty is about a lack of hope. (Hjerpe 2013)

According to the recent Eurobarometer (2013) as much as 85 percent of Finns think that helping poor people in developing countries is very important and the majority of them think helping them to escape poverty will later on help residents in the EU. Despite the common opinion people tend to be rather passive in the matter. It seems like Finns tend to think that every human is responsible for own life and wellbeing. They like to say that they have always survived on their own so should others. However, the history tells another story. After the wars Finland received development aid and the country was rebuilt with subsidized loans. In fact, according to the current criteria the post-war Finland was a developing country by all means. In 1946, 80 tons of clothes were transferred for suffering children and a year after another ship brought along food aid. As a result, 75 000 Finns received daily 242 calories more than they would otherwise have received. During the harsh times and high malnutrition that seemed like a large amount of calories, today one can get it from a single chocolate bar. The first loan was granted in 1950, two years after Finland became a member of the World Bank. During the following 25 years Finland built cell factories, cleaned up the pulp industrial waste water, supported small businesses and developed the Forrester industry, all with lent money. Likewise, the clearing of the road network after the war was one of Finland's development cooperation projects that were conducted by the World Bank loan. This project provided work for tens of thousands of people in the 1950s when unemployment was high. (Ylönen 2013)

3 DEVELOPMENT WORK

"People cannot be developed; they can only develop themselves. For while it is possible for an outsider to build a man's home, an outsider cannot give the man pride and self-confidence in himself as a human being. Those things a man has to create himself by his own actions. He develops himself by what he does; he develops himself by making his own decisions by increasing understanding of what he is doing; and why; by increasing his own knowledge and ability, and by his own full participation – as an equal – in the life of the community he lives in." (Nyere, 1973, 60)

3.1 What is development work

The majority of Finnish people links development aid to some commercials, which for example encourage people to donate money for children's health care in Africa. For example World Vision offers a variety of ethical gift options, including drinking water, cows and HIV-tests, that one can purchase for people living in poverty. Finn Church Aid offers a chance to buy a "hug" for 30 EUR for someone close to you, the money will be donated to an organization helping people in poor countries. The development aid between nations, the league where the "big money" changes its master, is hardly ever discussed in everyday lives of normal consumers. They say big things have small beginnings and your used shoes donated to Red Cross may just give a better life for someone, that is if they ever reach their destination, but will definitely not help the whole country to escape poverty. On a big and powerful scale, development aid agencies are just small operators surrounded by big problems. Aid agencies may have the power and ability to change the lives for small groups of people, even towns, but can hardly change the future for the whole country or economy. (Hjerppe 2013). International development aid or development cooperation mostly means the transfer of certain resources, mainly financial, from more prosperous countries to poorer ones in order to help them gain economical development and increased well-being. In other words, designated resource efforts should be used to bring about positive and beneficial changes in the development of a particular location at a time. These actions are financed with the development money from different nations and operated with the help, expertise and assistance of aid organizations.

The current formal objective is to reduce poverty, so that poor countries and poor people can be involved in the globalized system and the capital cycle, as well as to help them to participate in it. This long-term assistance is very often mixed with crisis aid: the popular belief is that aid is allocated to the victims of affected areas and is used to help starving children. (Kervinen, Koponen & Lanki 2007)

The importance of development cooperation should not be over- nor underestimated and the possibility to make change should not be taken lightly. Everything should start with the need for aid or assistance. As in business world in general, demand creates supply, so should be the matter in development field. Sustainable development work is not providing safe water source by building wells, if at the breaking point, poor don't have spare parts, knowledge or ability to fix them. Resources should not be wasted to export Finnish cars to countries where there are no roads nor knowledge how to drive or take care of the cars. People need to have desire growing within, the want to change their lives for the better, so that the help provided will bear fruit. Sometimes, even with the best intentions, matters do not work out the way they were planned. This is happening in Africa where tons of free clothing is shipped for people so poor, they cannot afford to buy clothes and food for everyday survival. However, this well-intentioned vision has turned out to be quite the opposite. Indian criminal gangs are buying all the shipped clothing from corrupt officials and re-sell them with higher price. The price for these "aid-clothes" is obviously higher than free, as it was supposed to be, but lower compared to the local clothing prices. The aid that was supposed to reach the very poorest of the people for free, is now reaching all the people in the area, including those who were previously able to purchase local goods. This has resulted as decreased demand for local suppliers, closed factories, lost incomes and increased regional poverty. (Hjerppe 2013)

Development cooperation is not charity. While the official meaning of it is transferring resources from rich countries to poor, in real life it is much more. By examining the history, present and future of the development work, one can easily see behind the curtains. Beside the developmental objectives, it has always had political and commercial purposes as well. People tend to seek for their own interests, those meaning donors' interests. Financial resources given for

development can be used to buy political favour, to gain orders for donors' own companies or to create high-paying jobs in exotic countries. On the other side, also recipient countries have their own motives behind the declared development objectives: they can try to strengthen the country's international position and to acquire the interests of private actors. Many can benefit from the aid, either openly and officially by getting better salaries or international education, or informally through various corruption mechanisms. Therefore, it can be argued that development cooperation has many faces. At its best, it may be well-intentioned intervention, which can be rationally designed with the aim of alleviating poverty. At the same time, it is constantly used with wrong intentions. It is largely unplanned political and social resource allocation battle. Governments, companies and private individuals - from both parties - are working towards their own interests, which are by no means common to all. (Kervinen, Koponen & Lanki 2007)

3.2 Millennium development goals

The outspoken, public goals which UN Member States are trying to achieve in developing countries globally are called Millennium Development Goals. These eight goals were planned to be reached by the end of the year 2015. The current MDGs aim at reducing poverty and hunger, improving healthcare, education, gender equality and environment:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

(UNDP 2013)

Although a major part of the MDGs will most likely be unachieved by the year 2015, setting common goals has been considered a good way to encourage and put pressure on governments. New goals are now under preparation for the time after 2015 and as many as 1.4 million people have been involved in the discussion. Themes that have been raised so far indicate a significant paradigm shift in international development issues; they put more emphasis on all nations and require a more active role for poor countries. New themes are more challenging for all parties as they require allocating scarce resources between countries and groups of people. In the future, developed rich countries will be required to follow emission reduction and environmental safety more closely as well as narrow income inequalities. Until now, the pressure of environmental issues has mainly concerned only developing countries. Thus strong debates are expected between countries with different income levels. For example, Finland as a part of European Union pursues considerably more strict environmental objectives than, let's say, large Bric countries (China, India, Russia and Brazil) who wish to, first and foremost, focus on increasing living standards for their own citizens. For example, China may question the use of a strict environmental policy, as the country has more than million people living under severe poverty. Even if these problems were to solve, next ones are already knocking at the door. Countries that are already struggling to keep their promises on delivering development aid as it is now will have even more problems to fund the future objectives. In order to achieve those goals, governments will be required to make significant changes in all policy areas such as agriculture, trade and taxation. Only time will tell what else is to come. (Ministry of Foreign Affairs 2013)

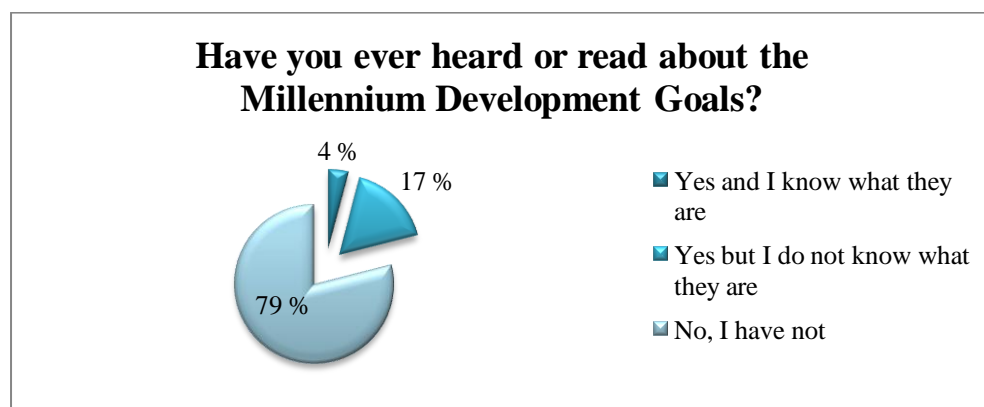


FIGURE 7. Awareness of MDGs. (modified from Euroopan komissio 2013)

Millennium Development Goals are the base for any development cooperation done by UN member countries and those receiving aid from them. The figure 7 above shows that hardly any of Finnish people have ever heard of them, let alone knows what they consists of. Only four percent of the respondents know what MDGs are, while almost 80 percent of them have never heard about the whole subject. This figure demonstrates the fact that development cooperation issues should be talked more in public.

Even if the general public does not set the targets of the future MDGs, they have their opinion as well. The following figure will demonstrate in which areas of development Finns think the aim should be aimed at.

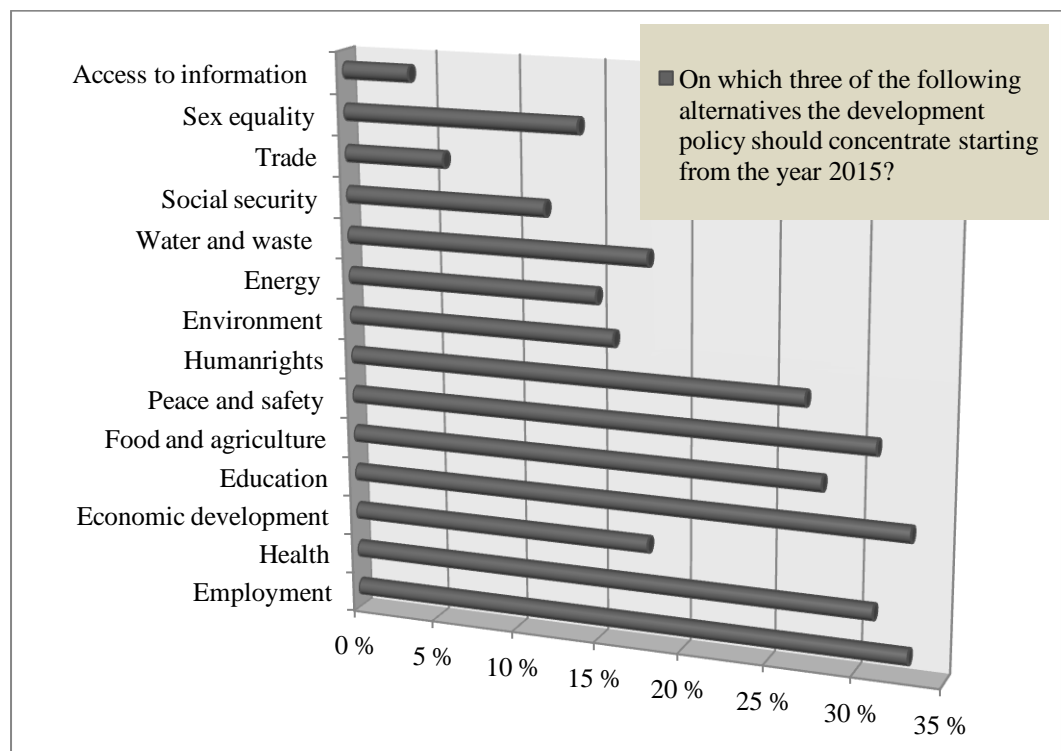


FIGURE 8. Public opinion on future MDGs. (modified from Euroopan komissio 2013)

The figure 8 shows that according to the public opinion employment and education seem to be the most important goals to achieve. Safety and security, which have been also brought up by the Ministry of Foreign affairs (2013) are also among the most important investments, together with employment and health. Access to information as well as trade did not gather much of support,

even though Finland is investing development money to improve information and knowledge openness in Vietnam during the following three years. This will be later discussed in chapter 4.6.

3.3 World Bank, International Monetary Fund and World Trade Organization

World Bank, IMF and WTO have worked closely together in the creation on the modern world economy as it is now. The International Monetary Fund (IMF) and World Bank were established after World War II in 1945 and were originally designed to ensure economic sustainability in countries affected by the war. The World Bank started its operations by providing long term loans for reconstruction. Since the 1970s it has been funding huge infrastructure projects in developing countries is now the largest source of financial assistance for developing countries. The World Bank is not a bank in a regular sense, but it lends money for broad structural and economic changes that reduce poverty and support development. It is the most important source of financial assistance for low income countries that are unable to acquire commercial loans. (World Bank 2013) Also IMF has growth in size and is now an international organization that consists of total 188 countries that work together in order to secure the stability of international monetary and financial system. The IMF aims to promote exchange stability, facilitate international trade, promote high employment and reduce poverty around the world. The World Trade Organization (WTO) was established more recently in 1995 and is the only international trade organization dealing with the rules of trade between nations. The organization consists of 159 members including all major trading economies. The WTO promotes free international trade smoothly and predictably. It also aims to provide countries a fair platform to discuss differences over trade issues. After WTO was created, IMF and WTO signed an agreement to work together in order to ensure greater coherence in global economic policy making. These two organizations aim to complement each other on various levels. While IMF pursues a sound international financial system, WTO strives for smooth and flowing trade that minimizes the risk of financial crises and payments imbalances. In order to enable economic growth, reduce global poverty and raise living standards, close cooperation between WTO and

IMF aims to ensure a strong system of international trade and payments that is open to all countries. (IMF 2013)

In order to receive help from these organizations, developing countries have to agree to take actions according to the guidelines of IMF, WTO and World Bank. These actions include reforming economic and trade policies, among other things. Forced economic and trade reforms carried out under the leadership of the IMF, the World Bank and the WTO mean that the target countries are peacefully re-colonized by manipulating market forces. Countries are forced to implement new market rules that follow so-called free trade ideology. These actions do not require using force but by all means maintains the possibility to intervene in the affairs of a state by tampering market forces. Thus they can, as a matter of fact, be seen as a form of warfare. Regardless of the rights of the citizens, free trade gives settled rights for the world's major banks and global companies, all with the assistance of WTO. In other words, the WTO agreements' clauses could lead to a loss of power at the level of individual countries, as the WTO transferred extensive powers for the financial world. Free trade and economic integration allow an increasingly greater scope for the global company, while at the same time they hamper the movement of small local capital. While the economic integration, under the management of world-wide business, appears to be politically unified it often promotes sectarianism and social conflicts between countries and within them. World Bank, IMF and WTO can keep developing countries under their control with the agreed lending conditions. Earlier fully enfranchised countries were transformed into puppets of international financial institutions by providing loans to severely indebted countries and setting specific terms of the loan agreements. In order to stay in good terms with the helping partners the indebted countries will have to comply with the repayment plan. The debt burden of developing countries has increased steadily since the 1980s, despite new repayment schedules, restructuring and debt transfers.

Due to the sharp fall in basic commodity prices the value of exports declined since the beginning of the century. By the middle of the 1980s, developing countries had become net exporters of capital into rich countries. In other words, developing countries had more debt-servicing costs than capital inflows all together: loans,

foreign investment and foreign aid. Developing countries will have to take new loans to pay old debts and delayed interest rates. If an indebted country does not get a new loan to pay old debts, charges pile up and the country ends up into an international blacklist. Creditors agree to debt restructuring only if debtor countries agree to comply with the political conditions added to the loan agreements. These terms and conditions include for instance economic rebalancing in which currency is devalued including the exchange rate harmonization and removal of exchange controls. Dollarizing currency results as higher prices, real income loss and reduced wage costs, which in turn will reduce the government's expenses and thus liberate assets in foreign debt. Another condition is a structural change, which includes measures for trade liberalization, tax reforms, loosen banking activities, privatization, poverty reduction and good governance. The theoretical purpose of the IMF stabilization package is to help the country to rebuild its economy in a way that the trade balance consists of a surplus. This in turn will help them to repay their debts and to start economic recovery. In practice, however, the opposite happens. Both, the IMF and the World Bank carefully admit that their policies have failed. *"Even though, over the past decade, there has been a number of studies, we cannot say with certainty whether the programs are succeeding or not ... on the basis of existing studies we cannot say for sure whether the programs have led to an improvement in growth or inflation. In fact, often it has been noted that the programs are linked to the growth of inflation and the fall of growth rate. "*

(Chossundovsky 2001, 14-29; 33-48)

3.4 Globalization

The relationship between globalization and poverty is quite complex. While there exist strong proof that export growth and incoming foreign investment have reducer poverty, it has been proven that globalization increases inequality. Advocates say that globalization has been a great help in the poverty reduction process but critics argue that it has in fact driven many into more severe condition. Technology is developing at fast speed and it is crucial for companies to keep up with it. Adapting the latest technology is often expensive and requires high

financial resources and knowledge. While large and wealthy multinational companies are able to rapidly update their technologies, their smaller counterparts in third world countries are not capable to do the same and are therefore forced to do business locally. It seems that there can only be either winners or losers at the global marketplace. Winners are those companies which are wealthy enough to sell their products and services on a global market, while losers are unable to compete with international companies thus have to settle with local markets and do not have the opportunity to reach their full potential. Globalizing capitalism has increased people's living standards higher and faster during the past fifty years, than the past five hundred years. On the downside, it has driven poor people further into poverty. Wealthy are becoming wealthier and poor poorer. (STWR 2013)

Mr. Häyrynen (2013), the CEO of Finnish Suntrica, argues that even though big multinational companies have bigger resources and stronger muscles, they do not pose a threat to smaller international companies that are eager to enter developing markets. The size of a company does not matter if it is unable to find local partners and funding. Big and small enterprises have equal opportunities to be granted loans from the World Bank and other global monetary funds. While Mr. Häyrynen thinks that the size of the company does not promote significant advantage, Ms. Hjerppe (2013) argues that it has a great difference. The so called elite of the world seem to have unspoken control over any business arrangements and deals globally. The bigger the company the more likely is to have powerful and influential people in the management. Money is power, power is influence. There are only a small number of people making the biggest decisions. Lobbyers of big companies can affect the decisions made at the top of the pyramid. On a smaller scale, this phenomenon can be seen at the business life in every market, Finland included. CEOs of big companies are acting as chairmen or other members in the board of directors in another big company. If one takes a closer look, it seems that they are one big family, own company for each member. If one has a buddy with great power, one has significant advantage. On other words, every decision made in powerful companies is made in closed meetings with the same people. Often the elite profit from the arrangements and loans granted. Smaller companies are generally less willing and less able to make arrangements

that benefit the elite. Thus the process of entering foreign markets and globalizing businesses is one rocky road.



FIGURE 9. Globalization. (Florida Institute of Technology 2012)

Does globalization help to spread the wealth or does it hurt the poor? Are companies globalizing production or globalizing poverty? By globalizing production and moving it into developing countries that offer cheaper labor and lower production costs, international organizations create jobs in developing countries. However, often opening production plants in developing countries is a death punch for many plants in developed countries. Unemployment is globalized while capital moves constantly from country to country. Furthermore, this situation often creates over supply when supply increases due to greater production power but demand falls due to decreased purchase power. When jobs are practically moved from Western industrialized countries to developing countries, the unemployment rate at the destination will decrease. That is definitely a positive outcome from globalization. However, at the other end of the chain of events, unemployment will increase due to the closed production facilities and lost jobs. This will then result in more careful spending and decreased purchasing power. When the supply in the developing countries has

increased but the demand in Western countries has decreased, companies end up having surplus in production. The lost money from the unsold goods will be taken from the low wages of the employees' salaries. Many of the workers will lose a huge part of their monthly incomes, some may lose all and the number of poor will increase again. In a long run, is it profitable for companies to relocate their production after cheaper production costs, if it results in decreased demand, surplus and increased poverty? Besides, when the economic activity produces less capital, profits are sought through speculation and fraud which happens at the expense of the poor and distort the world's financial markets. (Hjerppe 2013)

3.5 Finnish aid

The roots of Finnish development cooperation are deep in the Cold War, a time when Finland had a great need to put in an appearance of a democracy and to identify with other Nordic countries. Sweden, Norway and Denmark had already been working in developing countries for many years when the Nordic Council raised the question of whether or not Finland, after the war, had reached such a level of development that it could come alongside to the other Nordic countries, as a donor. Finland's Prime Minister at that time, V. J. Sukselainen, stated that Finland had prospered quickly and agreed that Finland, in fact, could be a supportive country in the future. The goal, that other Nordic countries used, one percent of national income to help developing countries was not, however, rational or achievable at the beginning. Developing cooperation finally began by signing the first agreement in January 1965. In this contract Finland was committed to assist Tunisia's Government to develop the real use forest. The project officially began during the next year when the first Finnish forestry professionals began to assist local authorities in organizing and to provide hands-on instruction to local lumberjacks. Tunisia's project never turned out to be the desired major industrial plant. Instead it turned out as typical environmental and educational collaborative project. After the first bilateral project was launched in Tunisia, Finland started to set up a development office. Jaakko Iloniemi was appointed as the first head of division. Iloniemi then recruited one of Finland's top-ranked contributors, Nobel Peace Prize laureate Martti Ahtisaari as an official.

Right from the beginning, the focus of Finland's Development Assistance Office was in sub-Saharan Africa. At that time the subject did not interest any of the political parties and none of the influential leaders or foreign ministers showed particular interest towards the problems of developing countries. Excluding the Swedish newspaper Hufvudstadsbladet, media was not particularly active either when it came to the developing world subjects. At the beginning Finland had very modest development budget but it began to rise in the mid 1960s when the subject received increased public interest. The importance of the aid and increasing budget were linked to humanitarian, trade policy and international political grounds. Humanitarian and justice-based arguments helped to appeal to the public. When Finland shifted from donating external financial aid to provide on-site assistance in developing countries, the term "development aid" was changed to better describing "development cooperation". For many developing countries, an opportunity to participate in the international economy is certainly more important than the financial assistance provided to them. However, the importance of development cooperation, especially in the poorest countries, is still visible and essential. Finland, alongside other Nordic countries, has always tried to follow the golden rule of development cooperation. That is to say, helping countries try to make themselves unnecessary as helpers as soon as possible. Unfortunately some countries have become dependent on the given aid even though development aid should not be eternal.

In addition to the work done in Africa, Finland's development cooperation proceeded to Asia where it received quite some criticism for wasted resources during the 1960s. As a part of the global FAO (Food and Agriculture Organization) campaign Finland started to build wells in India. The basic idea, to secure a supply of clean water in the area of high child mortality, was extremely important. About fifty villages on the west coast of India were selected as charity targets. The financial proportion of the project marked for villagers was paid with Finnish development money, the state of India took care of the rest. Despite of the good intentions, the project received a lot of negative attention among the media and was criticized for lack of money and wasted efforts. Other Asian destinations were and still are Nepal, Vietnam, Sri Lanka and Myanmar. In Nepal, Finland wanted to reduce poverty, support peace process and democracy as well as human

rights and sustainable development. Finland began a 30 million euro reconstruction project in Sri Lanka after the tsunami but was interrupted and forced to pull back when the country drifted into a war. Vietnam has long been one of Finland's bilateral partners and will be discussed into depth later on. In the future Finland will focus on helping Cambodia. (Virtanen 2013, 7-27)

The current financial crisis has raised questions whether the budget intended for development assistance and development cooperation could or should be cut. Even though people tend to stress the importance of development cooperation, a recent Eurobarometer survey shows that many Finns want to reduce development aid. Compared to other EU citizens, Finnish people are less willing to help developing countries. Furthermore, 28 percent of Finns do not want to increase the support given to developing countries, even though Finland together with the European commission and other member countries made a promise to raise the level of development cooperation. Many Finns feel that they are not financially able to increase the help because of the current economic crisis affecting to employment and commodity prices. In contrast, 20 percent of Finnish citizens would like to reduce the level of development cooperation and nearly half of the people would be willing to compromise on the promises given. The least interested to increase the development aid was young; only 36 percent of the people in the age group of 15 to 24 think that Finland should increase the level of development cooperation. Instead of giving tangible aid and financial help, Finns are more willing to support developing countries by purchasing higher price goods produced by poor people. Up to 70 percent of Finnish citizen would be willing to pay a little extra for example fair trade goods. Only 48 percent of other EU citizens would be willing to do the same. (European Union 2013)

TABLE 1. Willingness to pay more for fair trade goods. (modified from Euroopan komissio 2013)

Would you be willing to pay a higher price for the goods imported from developing countries in order to help people living in poverty?	
Age	
15-24	71%
25-39	72%
40-50	72%
55+	66%

Table 1 show that Finnish people in general are quite willing to pay a higher price for a commodity produced in developing country. Overall there is no significant difference between age groups. Rather than giving actual money into development work, Finns like to see what they are paying for.

3.5.1 Appropriations and their use

Noble speeches and great sounding goals boosted Finnish development cooperation in previous decades. The reality turned out to be quite different and actions were far from promises. In the UN's 25th anniversary session back in the year 1970, with full support of a former Finnish President Urho Kekkonen, Finland declared to have all intentions to reach the development aid goal of 0.7 percent of gross national income, soon. President Kekkonen would have gone to even greater commitment, but the officials of the Finnish UN Mission somehow convinced him to stay in the written text. In reality, however, Finland has never actually committed to achieve that goal. It has been only a nominal commitment, which at time felt like a "must do" but there was never any political commitment to support it. Two years after the great declaration Finland's support was as low as 0.15 percent, one of the lowest figures in Europe. When Finnish economy showed signs of strengthening during the 1980's, development cooperation got more

public support from the government and funding growth was steady. The year 1990 was a breaking point: after twenty years, Finland finally reached the goal of 0.7 percent which got even higher next year, stating the top at 0.8 percent. However, the following year brought along deep recession, budgets were cut dramatically and bilateral development cooperations were shut down almost completely. (Virtanen 2013, 167-170) The following figure will show the present state of Finland's official development assistance.

Finland's official development assistance 2013:

- Appropriations 1 173 million euro
- Emissions trading revenues and auctioning revenues 54.8 million euro
- Actual development cooperation 934.2 million euro, which means approximately 171 euro per capita per year, paid through taxes.
- Other official development assistance 238,9 million euro (Ministry for Foreign Affairs development cooperation administration, costs of refugee reception, share of the EU's development budget, disbursements to other international organisations)

FIGURE 10. Finland's official development assistance 2013. (modified from Ministry for Foreign Affairs 2013)

In the spring of 2013 Finland renewed its objectives to increase development cooperation back to its former glory 0.7 percent. The real and rational schedule is still open even though as a member of EU Finland committed to achieve the target by 2015 with other member states. For the following two years, the government has frozen the development cooperation budget at last year's level. The budget for the years 2015 to 2017 has been cut by annual 29 million euro in addition to the previous made cut of 30 million euro for the year 2015. A lot of, whether reaching the goal is possible or not, depends on how much Finland receives from emissions trading. The Development Policy Committee reported earlier this year that the Government has approved an additional budget of 23 million euro from the revenues of emissions trading auctioning for development cooperation. All in all,

emissions trading revenues and auctioning revenues count as 54.8 million euro in the year 2013, as shown in the figure 10. Together with the original budget, Finnish development cooperation will be 0.6 percent of gross national income this year. Finland has been, for years now, the underdog amongst the other Nordic countries due to its struggle to reach the goal. Sweden, Norway and Denmark are all highly valued globally for their contributions and one percent development budgets. (KPT 2013)

In addition to appropriations, the selection of development partners has been the most politicized and most discussed part of the whole process. As a part of EU, Finland has had to take a stand on development problems worldwide. Before EU time, development partners were selected from a relative small group of poor countries, following the examples of other Nordic countries. The Minister of Development decides the partners formally but cannot control the financial transactions in practise. Business side has added more countries to the list of possible partners and subsidized loans brought along commercially attractive, so-called emerging markets such as China and Thailand. In the late 1990s Finland had almost hundred countries, and partners were chosen mainly due to the possibility to gain from the bilateral cooperation. Finland, working with fewer resources, has since ended up using the same type of thematic as exemplary Denmark: long-term partners are expected to be poor and to contribute to the reduction of poverty by themselves. Enhancing democracy and human rights are also at top of the list. Today the Finnish economy is no longer seeking to acquire benefit from development cooperation in the same way as the 1970 - and 1980's. Naturally, benefits do matter but the style has changed and it will not be as presumptuous as it was back in the decades. Huge bilateral projects, such as Pha Rung in Vietnam, that will be discussed later, will no longer take place. They have been replaced by more attractive investments and low-interest loans to joint ventures between Finnish and development country-based companies. From the beginning of the 21th century, the relationship between Finland's multilateral and bilateral cooperation has been about 50/50. Majority from the multilateral aid goes to the UN system, then to international financial institutions and the smallest amount goes to the EU. (Virtanen 2013, 172-175)

3.5.2 Successes and challenges

Through the time, one of the most disappointing and serious problems has been the extremely difficult job to find such developing countries where there is no substantial corruption. Countries that need the most help usually have the highest corruption level. Financial aid given goes first to the political and economical elites and those who actually live in poverty get hardly anything. Economic cooperation, such as trade, has increased corruption tremendously. There are always two parties to blame: the one who offers a bribe to make trade, and a many times poorer party, who too easily accepts bribes. Multinational companies take advantage of developing countries by using their international power and influence to the world market. Big and powerful leaders can easily negotiate good deals for multinational brands to get better market shares and loosen rules. Money boosts these negotiations, as figures. According to the World Bank's estimate, one trillion USD were paid in bribes from companies to governments in 2012. Corruption is not just a problem in developing countries; it is a way of the world.

Despite many disappointments, Finland has gained a lot of success for example in health and education sectors. In recent years, Finland has consistently stressed the role of women and achieved remarkable results in various countries by empowering them to own and inherit land. In addition, Finnish development cooperation has been able to strengthen poor communities and villages through water management projects. Poor people have put themselves on charge of their own future, they have been granted micro-credit and they have worked hard to get functional water system. This way of working encourages people to solve their problems together and it strengthens communities. On a broader perspective, Finland has been closely involved in international development policy activities, which will help nations to build and create functional systems and is a part of the international aid effectiveness operation that has achieved great things, such as decrease in child mortality and increase in literacy. Another example was the removal of interest rate subsidy due to the fact that as a tied aid it was more beneficial to assisting companies than the destination country.

(Virtanen 2013, 175-180)

3.6 Learn from others

It makes one wonder how it is possible that South Korea is one of the world's most successful countries but North Korea almost the last. South Korea is often referred as one of the economic tigers of Asia and the decisions made there within the big companies have a global impact. For example, Finnish jobs at the Turku shipyard depends on the decisions made in the Korean parent company. To create its success, South Korea used various trade, economic and fiscal policy measures. These actions, such as tariffs, quotas, production licensing, payroll and exchange control, public banks' loan policy and government investments restricted the free functioning of the market economy. The government protected national diversified giants from foreign competition by granting them loans on favourable terms. After World War II, similar features could be seen in Finnish policy making and the state took a strong role in the industrialization of the economy. President Kekkonen strongly defended the state investment policy during his period. The development reports of both previously mentioned developed countries differ greatly from the recipes and guidelines offered to developing countries in 1980s and 1990s: tight financial discipline, privatization, reducing the role of the state, attracting foreign investment, property rights, strong protection of ownerships and tax reduction. The global economic situation and the changing rules have a major impact on what development strategies can and should be used. Most of the actions South Korea once took in order to make the nation grow are now prohibited by the WTO Agreements and therefore cannot be used for current developing countries. Furthermore, the agreements of the organization hamper developing countries to support their own agriculture to the same extent as developed countries do. Actions that could be taken, in support with the new laws, may no longer work. (Nokelainen 2013)

Another tiger, China, was once a developing country but has since experienced a tremendous economic growth. However, the glorious days are threatened by dark clouds above and a gloomy future. China's rise is largely based on the so-called free areas of production which, at one time, attracted foreign investment due to tax reliefs and loose employment laws. Today, however, almost hundred countries have free trade areas which leads to high competition, unhealthy situation and

weakened working conditions. Now there are various countries offering exactly same production possibilities with lower costs. The redistribution of the global economy is experiencing a new era which has lead China into a great deal of troubles. Increased labour costs, expanded competition and more accurate monitoring of the labour laws and conditions have decreased China's attraction but given new opportunities for poor developing countries. Textile and simple assembly industry are moving from China to neighbouring countries. However, while the production is now moving from one country to another, the development gained through low-cost production is hardly sustainable. How long does it take for the production to move yet another country offering even lower costs?

The management of natural resources plays often a key role in developing reports. It has always been known that a country with high natural resources can gain wealth, often too much and too soon. Natural resources can either be a blessing or a curse, which often leads to conflicts between different groups. Also, the relationship between citizens and the state will very often become problematic: when the state collects its income from natural resources instead of taxes there will not be any accountability to the public on what the money will be used for. Furthermore, raw material production does not create that many jobs and a country with an economy dependent on natural resources is very sensitive to erratic commodity prices. However, there are proofs that development can be achieved through sensitive use of natural resources. For example Botswana was the first country in Africa to rise from the group of least developed countries with farming and diamond mining in 1994. Another great example of a successful use of natural resources is a copper producer Chile. In 2003, when the price of copper increased, Chile started to accumulate budget surplus just in case for bad times. Five years later, when the price fell down dramatically, Chile was able to pursue recovery policy. Last but not least, is perhaps the most successful natural resource- dependent raw material economy Indonesia, which among other things invests a third of its GDP. However, previously mentioned global economic rules restrict the development possibilities for resource-rich countries. Often, for example oil and gas deposits are privately owned by foreign companies. Due to the global accounting rules and tax havens, these companies will be able to

transfer profits out of the country almost tax-free. Developing countries cannot revolutionize global rules on their own but they can raise the degree of processing and thus obtain better compensation for their natural resources. (Nokelainen 2013)

These policies and possibilities alone are not enough to explain any country's success. The most important thing that one will have to keep in mind is that development cannot be accomplished in any particular trick; there is no one secret for salvation or a magic wand to make poverty disappear overnight. Finland, too, was once a developing country and had to rely on others for help. In fact, the story line from the bottom all the way up is quite impressive. In the late 1860s approximately 8 percent of Finland's population died due to starvation. After years of hunger in 1870, Finland's GNP was 1100 USD per capita, which was about the same figure as Nigeria in 1995. By measuring with the normal standards of human development key figures, Finland was in a poorer condition and suffered more than Nigeria in 1995. Only one in ten of Finnish people were able to read whereas Nigeria had a literacy rate of 57 percent of the whole population at that time. Also, Nigeria's life expectancy was 51 years in 1995 which was higher than any other European country in 1870. Furthermore, prices of goods and services essential for development have fallen dramatically. Today's poor can afford stuff that the poor of earlier decades could not even imagine: medicine, education and better nutrition. Despite the negative and sometimes depressing media hullabaloo of wasted resources and failed attempts the world has faced a great deal of development. However, development is a never ending story and there are always lots to learn and to improve. (Kenny 2012)

4 CASE STUDY: VIETNAM

The Socialist Republic of Vietnam is a one-party state. The Communist Party of Vietnam (CPV) is the ruling political party and the most powerful job positions in the country are the General Secretary of the CPV, the President and the Prime Minister of Vietnam. During the Vietnam War, which will be discussed later, the most important foreign allies were the Soviet Union and China. However, during the Cultural Revolution of China, their relations began worsen and in 1979 they were at war with each other. The essential help from Vietnam's other ally stopped after the collapse of the Soviet Union. Very hard times followed Vietnam for decades as wars and trade embargos. The dispute over the South China Sea islands and potentially large sources of oil still creates tension in Vietnam's external relations. (Central Intelligence Agency 2013)

Vietnam is located in South-East Asia and is bordered by China, Laos, and Cambodia. Vietnam's land area covers about 310 000 square kilometres, half of it is covered by forest and the country has a coastline of approximately 3,500 kilometres. Vietnam is divided into 58 administrative provinces, which are often further divided into eight groups by area but these groups do not have any administrative significance. With a population of 92.5 million people, Vietnam is the 13th most populous country in the World. Majority of Vietnam's population is ethnic Vietnamese. According to the General Statistics Office (2013) the official statistics of the 1999 indicated that 80.7 percent of Vietnamese did not engage in any religion. From those remaining, half were Buddhist and 35 percent were Catholics. Muslims, Protestants, Taoists, Hindus and Animists all represented minority. (Nair & Seah 2005)

The most important crop in the country is rice, which is grown in more than 60 per cent of cultivated land. Population and rice cultivation are centred in lowlands near the two main rivers, Red River and Mekong. The delta of the Red River is the most densely populated area in whole Vietnam. Vietnam suffers from environmental problems and their affect to population and decreased development growth. Growing urban industrialization and population migrations are fast weakening environment near big cities. The post-war population growth, logging

and straightforward agricultural practises have contributed soil degradation and deforestation. Population that earns their living from marine life suffer from water pollution and overfishing, and contaminated groundwater slows the development of drinkable water supply. According to the recent statistics, the infant mortality rate has decreased by half during the past 15 years. An increased number of children born in hospitals or with an assistance of a trained person and 90 percent of mothers use health care services provided for kids. While the infections of Malaria and Tuberculosis have decreased, HIV infections have increased with a speed of 15 percent per year. Vietnam's literacy rate is rather high and almost all kids attend to primary school and majority of them will later continue to high school. Gender inequality issues have improved and gender distribution in schools and jobs is rather even. (Central Intelligence Agency 2013) More specific country information can be seen from appendix 1.

4.1 History

According to Vietnamese legends their history is dating back more than 4 000 years and the story tells that Vietnamese are descendants of dragons. The oldest reliable written sources are approximately 2700 years old. Chinese have played a major role in the history of Vietnam for many centuries. Vietnamese have never been particularly proud of their Chinese cultural traditions and have made great efforts to distinguish themselves and the Chinese regardless of the great power status that China has always had. On that account, Vietnam's best-known national heroes are all those who have ever risen in revolt against the Chinese. Still today, there is strong prejudice against them and Vietnamese media is boosting the country's own reputation by reporting every Chinese scandal, point by point. During 9th century, large-scale fighting broke out against the Chinese and finally in the year of 968, Dinh Bo Linh declared himself as Vietnam's first local emperor. At worst, Vietnamese were fighting two wars simultaneously: battling Chinese in the North and Champa, a Hindu kingdom, in the South. During the 15th century, after the birth of the Le-dynasty, Champa was finally beaten so that it no longer was a threat to Vietnam. The next century brought along a fight between three leading families and divided Vietnam into two territories: North

was known as Dai Viet and South as Viet Nam. After the division, Southern Vietnamese started their conquest trips to Cambodia with high hopes of better incomes. They were followed by Nguyen troops and shortly after Saigon, Phnom Penh and Kampot were occupied by Vietnamese and the King of Cambodia was forced to step down to Vietnam's vassal in 1658. Two decades later France began the colonization from South Vietnam and the country was under French colonial management until World War II, when the Japanese invaded French Indochina.

In 1944, after a long period under colonial management, The Viet Minh Front, a military arm of the Vietnamese nationalist movement, received guns and financial support from Washington, in a fight against the joint Japanese and Vichy French occupation of Vietnam. The battle finally culminated in the success of the 1945 August Revolution and on September 2nd in 1945 Vietnam declared independence and the establishment of the Democratic Republic of Vietnam. At that day, North America's CIA's (Central Intelligence Agency) predecessor OSS (Office of Strategic Services) agencies were present alongside Ho Chi Minh, the new president of Vietnam. Little did anyone know that during the following few years USA would be bombing down Hanoi. Then, After World War II, in the 1950s, Vietnam got into a twenty year state of war which was a consequence of the French colonies independence war in Indochina. The Vietnam War was fought between North Vietnam, supported by China and other communist allies, and South Vietnam, supported by the USA and other anti-communist countries. When the battle progressed, the USA started to send more and more assistance to South Vietnam. Finally in 1965 a full-fledged war broke out, after American ships were being shot at by the North Vietnamese. Annoyed Americans began the bombing of Hanoi and operations crossed international borders, both Cambodia and Laos were heavily attacked as well. In 1973, an armistice was signed in Paris and the USA Congress approved legislation that prohibited further U.S. military activity in Vietnam, Laos and Cambodia unless the president secured Congressional approval in advance. The year 1975 was a remarkable year for Vietnam. The fall of Saigon, the capital of South Vietnam, was marked as the end of the Vietnam War and the start of a transition period leading to the formal reunification of Vietnam into a communist state.

(Heikkilä & Miettinen 2000, 298-320)

All the destruction that was left after the war created an atmosphere of helplessness and a political culture in which the changes occur slowly. When the North and South Vietnam were combined, two different socio-economic systems were connected into one unit and South-Vietnam was forced to reform in accordance with the strict guidelines of the Central Committee. Political repression was not directed only to the sectors of society which had ties to the Saigon government, but also to those who were supporting North-Vietnam in the war. In addition, the international environment and the global market system changed and Vietnam's main trading partner, the Eastern block, combined of the allies of the Soviet Union during the Cold War, fell apart. These events marked a setback and created a division in the national economy. The Communist Party of Vietnam was unable to formulate a sustainable economic restructuring program which leads to deep distribution and changes within the party. (Chossudovsky 2001, 163-165) The following figure will summarize the most important dates of Vietnam's history.

- **1615** The Portuguese established the first trade and mission post.
- **1847** Vietnamese Emperor Tu Duc was forced to sign an agreement which moved three southernmost provinces under France management.
- **1945** Ho Tsi Minh declared independence for Vietnam Democratic Republic. The War of Independence against France started after nearly a hundred years of constant colonial rule.
- **1954** French authority in Indochina ended. Vietnam was divided into two parts.
- **1964** The United States' first bomb strike followed by battle groups next year.
- **1968** Peace negotiations started in Paris. Vietnam was the most talked subject globally.
- **1973** Paris peace treaty was signed.
- **1975** Northern troops occupied most of the south.
- **1976** The Socialist Republic of Vietnam was created after northern and souther parts were united

FIGURE 11. Vietnam history, fast facts.

Today, after the lapse of half a century of struggle against foreigners' occupation, the War History of Vietnam is carefully rewritten. Neo-liberalism is the official doctrine of the Communist Party and officials, public servants and other intellectuals are asked to fully support the new doctrine in the name of socialism. After the year 1986 when Vietnam started a new war free era with modernization programs, any reference to the brutal part of the USA in the Vietnam War was regarded as inappropriate. Furthermore, the Communist Party underlined the "historical role of the United States" during the liberalization from the Japanese occupation forces in 1945. Kiosks decorated with Coca-Cola trademarks are selling small jet bombers scale models. These bombers were used in bomb attacks against North Vietnam. One cannot see any text about the war and its history. The buzz about the consumer economy is in deep contrast to miserable beggar crowds, street kids as well as rickshaws and freight bicycles. Many of these people are war veterans who took part in the release of Saigon in 1975. (Chossudovsky 2001, 163-165)

4.2 Vietnam, IMF, WTO and World Bank

After the war, Vietnam was in a deep economical ravine. By accepting the "helping hand" from the World Bank, WTO and IMF the situation hardly got any better and the consequences of the structural adjustment have been disastrous. Achievements from the past battles and the nation's aspirations were diminished. Although, this time there was no need for neither Agent Orange nor bombs. Economic and social destruction has taken place gradually after the reforms and new rules, affecting to the lives of millions of people. The impact has spread widely:

- **National economic disaster** was worked out with the free market mechanism, in which the reforms contributed to the immense abolition of production power. The reorganization of the state banking system led to the complete suspension of all medium- and long-term credit intended to domestic producers. Short-term credit was available with 35 percent annual interest rate. This was the final push over the cliff for many state owned companies struggling with economic problems.

- **Domestic producers were displaced** from their own markets after the removal of customs restrictions. Massive increase in the consumer good importation took over a huge part of Vietnam's light industry as well as consumer goods industry. Since 1986, a large number of the already scarce foreign exchange earnings have been invested to consumer goods imports.
- **Domestic trade channels were blocked** when each part of the country joined to the world market separately. While the budget transfers from central government to the provinces and municipalities had been refused due the recommendation of the World Bank, regional and provincial authorities carried out their own investments and created trade relations with foreign companies.
- **State monetary economy is in a straitjacket.** The central bank does not have a permission to increase the supply of money or print money without IMF approval. In addition, government loans or corporate funding are prohibited. Tight lines have pushed many companies into bankruptcy, which, in turn, reduce the state's tax revenue, and finally strike the state public funding.
- **The formation of state capital collapsed** due to the reforms. The new rules aimed to reduce the budget deficit by setting specific ceilings for all types of expenditure and investment. In practise, it meant that the state will no longer be allowed to use its resources for example to public infrastructure or hospitals. The control from the creditor countries did not only apply to the amount of investment, but it also affected the specific composition of the public expenditure. In other words, creditors determined what investments were the most important.
- **Famine breaks out** when authorities revoked the local food self-sufficiency policy, in the guidance of the World Bank and the FAO, which was designed to prevent regional food shortages. Instead, farmers were encouraged to abandon food crops and to switch to crops that are high valued in exports. Over-sized plantations of these cash crops, such as coffee, cotton and cashew nuts, dampen international commodity prices. Together with high costs of imported agricultural goods the situation often culminates to local famines.

- **Destruction of the education system and the collapse of the healthcare system** are both results from the budget cuts that the reforms brought along. The reforms are destroying the education system by reducing the budget intended to education field, cutting teachers' salaries and setting tuition fees. Health care system suffered after the South and North reunited. Previously free health counselling and necessary drug supply were replaced by a user-fee system and the drug trade was liberalized. Due to the reforms, the consumption of essential medicines stopped which pushed the Vietnamese pharmaceutical and medical device industry to bankrupt. The World Bank has admitted the collapse of the health care system.
- **Infectious diseases are spreading again.** The Ministry of Health admitted that many infectious diseases, such as tuberculosis and malaria, occur increasingly. The World Health Organization's research confirmed that within the first four years of the reforms, the number of deaths from malaria increased three-fold while the health care system collapsed and the prices for anti-malaria drugs rise sky-high.

(Chossudovsky 2001,166-189)

4.3 Economic development

Independence allowed the South-East Asian countries to exit from the colonial economic management. This applied particularly to the manufacturing sector of which development had been limited by the colonials in the fear of the competition between Asian and European goods. The Post-independence economic development of South-East Asia has not been coherent: capitalist countries, such as Malaysia, Thailand and Singapore have experienced economic success since the 1960s. The Indochinese Communist countries, such as Laos, Brunei and Vietnam, where socialist governments monopolized practically all formal economic activity, experienced economic stagnation and very slow development. After the independence, large amounts of utilities were directed to the South-East Asian countries in the hope of economic development. While the original ASEAN countries benefited tremendously from the support provided by

the United States and Japan, socialist states were more unlucky with the help received from Soviet Union and China. Unfortunately for the countries of Indochina, Communist bloc controlled only about 10 percent of world trade. Therefore, Vietnam, Kamboja and Laos were able to get relatively much fewer utilities and they had to settle for less advanced technology. Furthermore, the Communist South-East Asia suffered more from the wars between the countries than capitalist states did. During that time, North Vietnam set emphasis on the development of heavy industry, and got relatively good results that were highly comparable to the development experienced in other market-economy countries in the South-East Asia region.

War time

However, this short time of glory was followed with the war against the United States. Intensive bombing of three years starting from the year 1965 weakened the production significantly and forced the population to move away from industrial centres. Reunited Vietnam has still, up to this day, reconstruction problems due to the horrendous conflict with the United States. Approximately 58 000 U.S. soldiers lost their lives in this long lasting war. The loss of Vietnam lives was significantly more severe; an unimaginable figure of 3 million Vietnamese people lost their lives and another 300 000 are still missing. Agricultural lands were contaminated with tens of millions of litres of Agent Orange, a deadly chemical dioxin that caused tens of thousands of birth defects. Huge part of the railway network and bridges had been completely destroyed, food availability was extremely low, and millions of people were forced to leave their homes or become unemployed. Many southern cities suffered prostitution, drug addiction and a large number of orphans. Unexploded bombs and mines are still killing people every now and then. Vietnam's government has repeatedly sought for war compensation from the United States, so far without success. (Barwise & White 2006, 225-232)

Due to the war and very naive planning, the economic growth in Vietnam was a lot slower compared to the South-East Asian market economy countries. Furthermore, Vietnam's economic growth could not keep up with population

growth. The government tried to resolve the situation by relieving the population pressure in cities by practically forcing over 2.5 million people to move from big cities to newly rebuilt economic zones in upland areas. However, during the following ten years from the reunification, the population increased by another 14 million people. This rise resulted in high inflation and stagnation in agriculture. Therefore, Vietnam put reform programs into action in 1980. The small business sector was liberalized, refugees were encouraged to return and foreign investors were encouraged to invest in Vietnam. Japan gave government assistance as well as private capital to stimulate the economy. In 1999, a trade agreement between Vietnam and a long term enemy, U.S. was finally established. The economic barriers between the capitalist and the communist Southeast Asia were overcome in the 1990s, when Vietnam, Laos, and Cambodia joined ASEAN. The objective of the formed group is to boost economic growth, cultural development as well as social progress among its member countries. In addition, it aims to protect regional peace and stability and it provides a platform for its members to discuss differences peacefully. Despite all the negative aspects of the socialist economies, there have been positive outcomes as well: a socialist economy gives fewer opportunities for corruption and other shady ways of increasing individual wealth. Furthermore, women have been more economically successful in Vietnam than in any other country in the region due to the pressure on socialist justice. Also, the literacy rate of adults accounted very high in Vietnam in the 1990s, whereas other South-East Asian countries were struggling with the problem. (Barwise & White 2006,262-273)

Increasing production

At the end of the 1990s, a major part of the low budget production was transferred from China to Vietnam. China had been the leading country for low cost production in Asia for a while, which started to show in labour behaviour. Growing number of people working at various factories started to demand better salaries as well as improved working conditions. The situation was vice versa in Vietnam where cheap mass production was still at its early age and labour was humble and hard-working. The best thing about Vietnam, however, was the fact that by establishing factories there companies were able to avoid the restrictions

imposed by EU countries to control cheap imports from China. Finnish Kesko was one of the companies that took an advantage of mass production in Vietnam gaining an opportunity to import unlimited quantities of low cost produced consumer goods to Finland. Almost every multinational company have purchasing offices in the East and sales offices in the West. Finnish companies like Kesko and Tiimari are similar clients in Far East as are Nike and Ikea, just a little smaller. Despite the few positive results, the next crisis was already waiting behind the corner. The economic catastrophe of 1997 afflicted Indochina's countries even more after the reunion with ASEAN countries. (Grundström & Tuunanen 2002, 39-52)

The Asian financial crisis started in 1997 and was quite unexpected. Observers have later agreed on one critical fact, which may have lead to the economical turmoil: in order to benefit from financial globalization several Southeast Asian economies opened themselves to international financial flows without setting adequate domestic financial regulations. During the mid 1990s foreign direct investment was overshadowed by portfolio and other financial investments. A majority of Southeast Asian governments retained high interest rates in order to stable inflation but kept their exchange rates fixed against UD dollar, which resulted as increase in foreign borrowing as well as domestic credit boom. Private businesses borrowed cheap capital abroad and later lent it locally at higher rate. The value of local currencies was pulled upwards due rising US dollar, which in turn contributed current account deficit. In early 1997 rumours started to spread across the markets. Because of the unhealthy financial situation of some Southeast Asian borrowers, investors were afraid of dropping exchange rates. Therefore they started to rapidly pull their capital away, before the unavoidable currency devaluation. The earlier boom of international capital inflow turned into bust. (Beeson 2009, 63-65)

Present situation

Over the past 25 years, Vietnam's economic growth has been significant. In 2010, the country increased its income levels and rise into the group of lower middle income countries, some referred to Vietnam as the next Tiger of Asia. In addition,

Vietnam is about to reach most of the UN MDGs. More accurate data on recent economic situation can be seen from the appendices 2 and 3. After the Asian crisis, the government of Vietnam thought that troubled days were left behind. Due to the financial crisis of USA, starting in 2008 and the recent economic challenges in Europe, a lot of capital has directed itself to Southeast Asia. However, the country is facing serious troubles, which vary in many. First, influential leaders of Vietnam's Communists have set so ambitious growth targets that the economy is struggling to keep up. Second, there occurs much distorted credit allocation system that is highly beneficial for state-owned enterprises as easier access to credit and the inefficient use of it. SOEs have built up a massive pile of debt which is dragging down the economic performance. Last year the State Bank of Vietnam said that almost 7 percent of 50 billion USD SOE loan pile consists of bad loans, being the highest ration amongst any ASEAN members. Bad loans are those which borrowers will not be able to pay back. While debt is piling, tighter credit controls have resulted in a large fall in GDP growth rates. The Central Bank is taking actions toward the unsteady lending system but is facing huge problems with the structure of Vietnam's financial system. Then there is growing criticism against government officials, increasing inflation rate, the budget deficit, a widening wealth gap, failing currency, social unrest over land seizure and the increasing concern of the influence of business elite as corruption. In the fear of failing economy and currency devaluation, people are actually changing their savings into dollars or gold, in order to retain some value of it for the future. Reforms to financial system are highly needed. (Parker 2012)

The economic development of Vietnam has largely been based on cheap labour and low production costs. Now the country is facing the situation where there are many third world countries that can provide cheaper labour costs and cheaper raw materials. The competitive edge is lost. Production will slowly move from Vietnam to other cheaper countries leaving Vietnam with a huge amount of unused capacity and lost profits. So far the economic growth has fallen down to 5 per cent, when it used to be about 10 percent. Banking business has become stricter, the central government is inefficient and productivity should be increased. Due to the massive cheap production, Vietnam is urbanizing rapidly, which puts pressure on urban infrastructure and services. For a long time Vietnam did not

pursue sustainable environmental production so the environment is heavily polluted. Moreover, inequality has increased and human rights have weakened. It is argued that economic growth increased the power of the Communist Party. Now that growth has slowed down, the party is trying to maintain stability in the country at the expense of freedom of expression. From time to time people are reminded that it is illegal to question the socialist system and the party's monopoly. Just when you think you have learned something, Vietnam hits back. (Ängeslevä 2013)

4.4 Economic growth opportunities in Southeast Asia and Vietnam

While the rest of the world is stumbling from one economic crisis to another in several generations, Asia is still standing strong and growing fast. This is an especially exciting time for Vietnam and the reason lies in demographics and the history of the people. Vietnam has 90 million people in the country with a median age of only 28. This is a young population with a literacy rate of 94 percent and 80 percent of the population go to secondary school. Labour costs are half of those in China or Thailand. Vietnam has had 7 percent average economic growth from 1991 to 2012, equalled only by China at 9.9 percent. An increasing number of people see Vietnam as the future factory of the world with 200 billion USD investments over the last 25 years with 14 000 new industrial projects such as Canon, Samsung smart phones and Intel's 1 million USD invested in production. The number of exported electronic goods is growing very rapidly each year. Furthermore, Vietnam's agricultural success story of national 217 million dollar coffee processing plant, the growth of domestic market and economic market emerging in new middle class. (Dixon 2012)

Dr. Zeti Akhtar Aziz, the governor of the Central Bank of Malaysia, emphasises the growing economic role of Southeast Asia in a roundtable discussion with local business leaders, held in Kuala Lumpur in February 2013. She states that Asia is made up of highly diverse economies including three large economies of China, Japan and India and two city states that are international financial centres, Singapore and Hong Kong. Then there are ten South Asian economies with a population of more than 500 million and the size of the collective group of the

economies in the area is larger than the Indian economy. However, too often they do not get recognized as an important group of countries within Asia and even less in the global economy. Dr. Zeti emphasized three points of Southeast Asian economy; they are trending into greater economic and financial integration, they are also integrating with the greater Asia. Third and the final point was that despite the doubt that Southeast Asia received, they actually survived the financial crisis of the 1990's, recovered rather fast and what is more, they took action from the lessons they learned from the crisis by reforming financial structures and economy. (Akhtar Aziz 2013)

4.5 Finnish development work in Vietnam

Vietnam is one of Finland's long term bilateral development partners and has been able to significantly reduce poverty. Over the last twenty years Vietnam has risen from the world's poorest countries among the group of middle-income countries. It has been a long and rocky road with plenty of lessons learned. In 1977, two years after decades of war, the Finnish commission was visiting Vietnam in order to assess development cooperation possibilities. The war had destroyed a lot. Vietnamese were planting fish in craters created by U.S. bomb. At the countryside, people were working their tails off with medieval tools and procedures. Despite all this, Vietnam was living in a bubble of happiness. Long war against the Americans was finally over and the two halves of the country were quickly connected. Work distribution between Nordic partners was confirmed: Swedes will take care of the forest industry, Finns will take care of ports and Norwegian will manage fisheries. The Finnish Commission was travelling through northern coast near Haiphong, the most important seaport of northern Vietnam, looking for a place for planned repair shipyard. Reconstruction tasks seemed massive but achievable. Later on, about fifty other countries were interested on cooperation possibilities with post-war Vietnam and development banks kicked in as well. Even trade seemed to have positive future, after all Vietnam was a resource-rich country with minerals, coal and oil. Vietnam, in turn, announced a new political and economical program and described the country as

one of the South East Asian country rather than a socialist state. Future looked bright.

By the next decade, Vietnam's reputation had sunk into the ground. When Vietnam in 1978 sent its troops to Cambodia, the rest of the World disapproved actions and saw them as the grand finale of the Vietnam War and geopolitical game. China then invaded Vietnam from the North, the border between the two countries was closed and the area was unstable for over ten years. While the Soviet Union and India supported the new Vietnamese government of Cambodia, United States, China and Thailand supported the original Khmer Rouge. Many of the countries of Western Europe and most of South-East Asian neighbours joined the embargo between USA and Vietnam which had already started in 1964. Finland and Sweden were the only Western countries that did not quit development aid despite the fact, that they did not accept the Vietnamese occupation. Due to the embargo and crop failures, the early 1980s was probably the hardest time for Vietnam. The society behaved like ranger troops, all kind of things were hidden from each other, even from own people let alone Westerners. The latter half of the decade came with inflation. In 1986, the inflation rate rose by more than 700 percent. The embargo was still there and essential aid from the Soviet Union was decreasing. Answers to anxiety were sought from Doi Moi, a reform that was introduced in 1986 and was, above all, a land reform: the state owns the lands but Vietnamese could work as entrepreneurs and would receive guidance and assistance. The economy was turned into a more capitalist direction, even though it was not said out loud. The official term that was used was a socialist oriented market economy: the Communist Party draws big lines, but private companies and cooperatives took care of the production. (Paljakka 2013)

The start of the cooperation

The first huge Finnish project in Vietnam was the Pha Rung Shipyard development. In addition to already harsh times, the development cooperation got a lot of public attention and media expressed strong disapproval against Finnish constructors' rather questionable evening entertainments. During those times of stagnation, it appeared that the Vietnamese were unable to meet their part of the

contract, which had been created to support the project's progress. They were unable to deliver promised labour, gravel and building materials. The development project ended up doubling its original time plan and budget, costing Finland about 46 million Euros. Despite all the negative attention, it turned out to be a very successful project and has gained international attention on its positive outcomes. In the 1980s Pha Rung was a poor conurbation with little action and one three-story house. With the yard, the area has developed into a vibrant and prosperous village where people are living good life. The yard is now a major employer in the area, employing nearly 3000 people and new employees will receive training in the University next to the yard. Originally the yard was built to repair Vietnamese ships, but already in the 1980s it attracted international ships from the Soviet Union and elsewhere. Today, it belongs to a large Vietnamese Vinash group, specialized in ship building and metal industries. The company has over 160 subsidiaries across the world. (Kultanen 2012)

In the 1990s, signs of wellbeing could be seen in Hanoi. The consequences of Doi Moi showed within a few years of its launch. Bicycles were replaced by scooters and motorcycles, internationally well known brands launched new shops and previously known equally shared poverty between citizens had to give a way to recently enriched individuals. Thanks to the massive power plant built by the Soviet Union, there was enough energy for everyone, even oversupply. A decade earlier, foreign workers' phone calls were listened, their movements were controlled and any kind of socialising with Vietnamese was strictly prohibited. The new Vietnam, however, showed significantly more liberal characteristics. Foreigners were free to visit familiar homes and were able to talk about their acquaintances' occupations, political trends and career achievements. All this was thanks to the Doi Moi program, which literally means a change to a new era. Earlier Vietnam was a rice importer, now it is one of the top three rice exporters in the world and also one of the biggest coffee exporters. Nearly half of Vietnam's exports are agricultural products. After a decade of economically tight times, Vietnam's future was once again showing signs of better times. The World Bank granted Vietnam its first loan, the country received its place among honourable countries and was accepted in the ASEAN in 1995. Whether or not joining WTO,

World Bank and ASEAN was the best thing to Vietnam can be argued. However, it was the only thing possible at that time.

After the massive Pha Rung development project, Finland was preparing smaller scale projects that better suited to the development mentality during 1990s. Water and sanitation achieved a solid position within Finnish development cooperations and were particularly suitable for Vietnam. What could be better development assistance than clean water? The cooperation in the water section began already during the year of 1958 in Hanoi and Haiphong, pipe by pipe. In the 20th century, dozens of smaller towns were added to the list of development destinations. Water Projects improve the quality of life, as well as small-scale rural development. Later on, rural development and forestry projects were also added to Finnish development cooperation work and sustainable use of natural resources was highlighted. (Paljakka 2013)

4.6 Future development assistance between Finland and Vietnam

Finland has worked within Vietnam for over 30 years. In 2013, Finland will support Vietnam's development with 9.7 million euro. The amount will gradually decrease during the following three years, so that in 2016 Finland's support will be a total of 4.4 million euro. Despite the economic growth, Vietnam still has many challenges and poverty is becoming more and more structural, and economic growth alone is not enough to remove it. In the future, Vietnam's development objectives are based on Vietnam's own development strategies and development cooperations are changed to more suitable for a middle income country. For the future, the aim is to create public - private partnerships so that they could work without development funding. Finland continues to support sustainable use of natural resources and the development of information society, increase transparency and entrepreneurship, improve climate-proofing as well as water and sanitation. During the following four years, Finland concentrates to ensure the sustainability of previous years' cooperation projects. This includes for example supporting the development of forest resources information system, training and educating managers. (European Union 2013) The following figure will demonstrate more specific objectives.

Finland's objectives for development cooperation are:

- Increasing openness and transparency to information and knowledge.
- Enhancing green economy.
- Increasing the sustainability of the use and management of forest resources.
- Improving access to water and sanitation services.

FIGURE 12. Finland's objectives. (modified from European Union 2013)

Finland should particularly concentrate to support areas where it has the expertise and knowledge: environmental technology, forestry, and information technology. On the other hand, if one looks at what has been central for Finnish and Nordic development, huge success has been gained through improving the status of women: the training and education for women and girls, increasing their rights and ensuring their participation. In this field of development Finland could reference own experience, talk with credibility and involve civil society organizations in the cooperation projects. In addition, supporting infrastructure and production is important for a country to obtain tax revenues, which can be later used to improve education, health and social sector activities. Finland should not give money, but support project oriented activities. This way money passes through the Finnish actors and losses to corruption can be better avoided. (Virtanen 2013, 175-180)

In the future, Finland should invest even more in innovative thinking about what and how development cooperation can be achieved. Very often the traditional forms take place and new alternatives receive less attention. Maybe it is easier to pick one from the pool of solutions, but too often the wrong one is picked. Instead, organizations and other participants should seek to develop new and more efficient ways to gain long lasting effects. As an example, Finland was one of the first countries creating cultural development cooperations, which did not receive much of attention and hardly anyone had faith for positive outcomes in the beginning. Now, years later, the results are very positive and the form of

development cooperation is spreading across the globe. Finland, among others, practically showed the rest of the world that new innovative ways can benefit more than old. Therefore, for example, advanced technology in a solar energy should be invested. An introduction to technology that can reduce the heavy load of the planet is an improvement for all of us, not just for developing countries even if it takes place in the third world. Everything that Finland does for global impact, such as energy conservation and guidance on agricultural practices, help future generations everywhere. It is also important to invest in such a technology and knowledge that the people in the receiving community will have a chance to participate and work for it, and be able to operate independently in the future. (Jukkara 2013)

4.6.1 Vietnamese market for Finnish companies

Asian markets are significantly more personal than those in Europe and USA. Due to the harsh competition and over supply, the personalization of products or services is extremely important. While deals and trade are operated online or on the phone in Western countries, in Asia face to face meetings and negotiations are required. Often, to get the business rolling, one needs local relations, so called door-openers. In general, creating long-term business relationships in developing countries is extremely challenging and straightforward continuation of trade hardly exists. The first deal can be relatively easy to close but the sequel is another case, especially if one is an unknown trade partner. On the other hand, if a deal goes well and one proves to be valuable partner, Asian partners like to create relations that last a life time. (Häyrynen 2013)

It is vital for mutual benefit that before starting any development project, objectives and modes of operations must be clear for all participants. These objectives and policies vary from project to project and are based on the sought outcome. A lot depends on what kind of features the development project is facing and where it takes place. In some cases the mutual benefits can be run more clearly than others. When a country is so poor that they miss all the basic elements for decent living, it is hardly humanlike or ethical to seek own benefits. Therefore, the aid given in situations like that should be based on the needs of the recipient

country only. When a country reaches a certain level of development and can perform trade or other kind of international activities, mutual benefits should be taken into consideration. After all, given aid should not be eternal. All projects should, however, take an advantage of what both parties' experts learn from one another. This kind of cooperation can develop new and more efficient technologies that can be further developed into international use. (Jukkara 2013) However, no matter how developed a recipient country is, all development cooperation projects should start with a partnership between the helper country/ countries and the helped country. When none of the participants seek only for own advantage, the outcome will more likely be beneficial for all. Now that Vietnam is in such a position where it can close partnerships that may have benefited all, Finnish companies should seize the opportunity to enter Vietnamese markets with innovative products and services. (Pulkkinen 2013) The following figure will demonstrate the SWOT analysis of Vietnamese markets to Finnish companies.

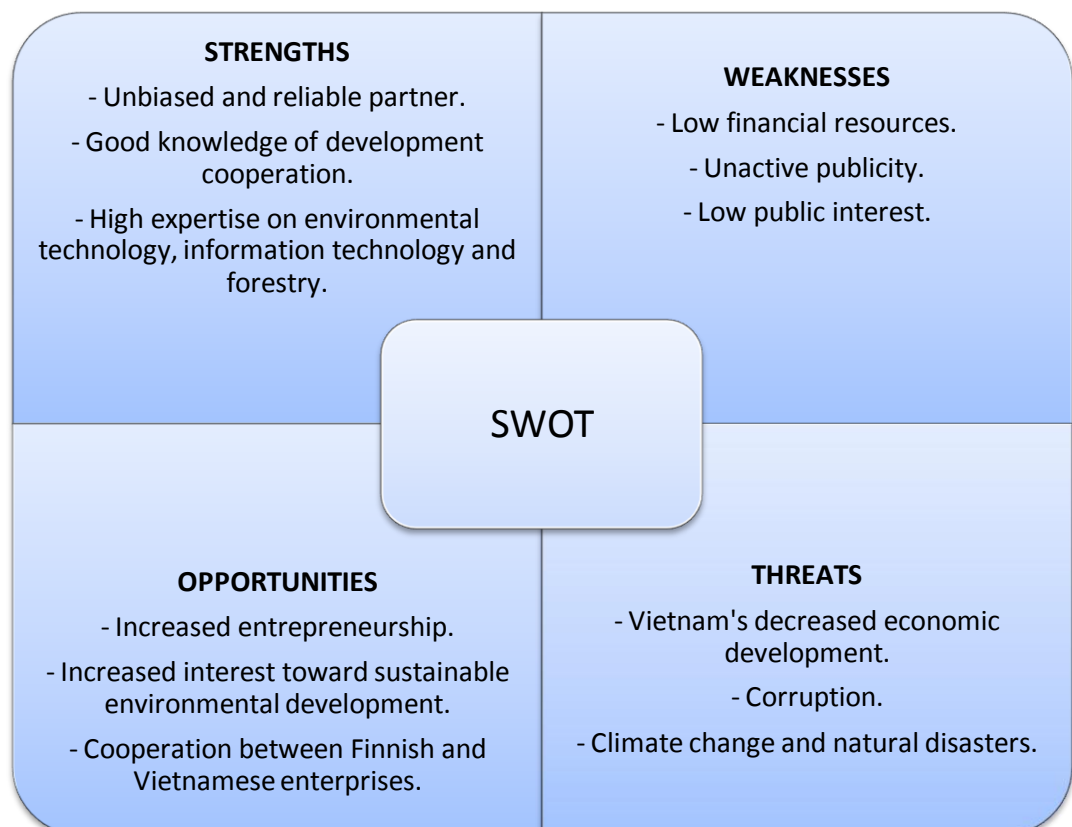


FIGURE 13. SWOT analysis of Vietnamese market for Finnish companies.

Strengths

Finland's biggest strengths is definitely the fact that the country has worked closely within development issues for a very long time and on a large scale. Therefore it can be said that Finland can operate with a professional and experienced way. Processes are often very transparent so that people can see where their tax money will be invested, if they know how to search for it. Some of the projects have received a lot of criticism, but Finland has taken every opportunity to learn. Criticism is always good. Without it, nothing would be improved and old habits would last forever. For such a small state, Finland has achieved a great deal. Often, with cultural development projects, people from various places tell stories about successful Finnish development projects that are sustainable and still working. (Jukkara 2013) In Vietnam, Finland is specially known as a reliable and unbiased co-operation partner. Finnish projects, which have improved the supply of clean drinking water, are particularly well known and respected in Vietnam. "The Finnish water" is a term that refers to clean water among many Vietnamese. (Pulkkinen, 2013)

Weaknesses

In addition to a low-budget, one of Finland's weaknesses is that the public know very little of matters concerned on development cooperation. Many people believe that development aid is only monetary donations and sheep given to poor countries. Such small actions can help a small family and the village, but things should be thought more widely. Development cooperation and development aid are much larger concepts and include a variety of activities. Now, when markets are stressed with the economic difficulties across Europe, the development co-operation budget has led to dissenting opinions. Due to the inactive publicity, the nature of development cooperation, the measures, the quantity, quality and impact of relationships are not clear to 'ordinary people'. Maybe if the different stages of development cooperation and its extensive results would be given more publicity, people would be more favourable to the development aid and the budget would maintain the same, if not increase. Finland can certainly afford to help; it's all about the desire to do the right thing. Therefore the public should seek to

influence the development issues more. Often people fear to participate in political matters. People tend to think that they are not interested in politics, therefore they will not want to participate and they certainly are not political persons. The fact is that anyone who has an opinion is a political person, so to speak. Furthermore, there seems to be the general opinion that a person is not able to affect anything big by himself. However, every single person can make a difference by taking a stand and voting. Looking at the future, it is essential that the Finnish development cooperation to keep on ground, and aims toward the destination of 0.7 per cent. (Jukkara 2013)

Opportunities

Although Vietnam has already achieved many of the MDGs, for example a significant reduction of poverty and hunger, some of the goals are still doing quite weak. For example, a growing environmental load due urbanization as well as lacking functioning water and sanitation in poor areas still pose a headache. Many Finnish companies would surely be able to find solutions to problems in developing countries and cooperation with a domestic company and a company in need would produce the desired mutual benefits. (Ministry for Foreign Affairs in 2013, 7) Now, after substantial economic growth, the Vietnamese market is wider and full of opportunities. Vietnamese government has begun to pay more attention to a clean and green production, which improves air quality and puts less pressure on the environment. So far, volatile markets and substantial risks, such as corruption, have curbed enthusiasm for Finnish companies to enter Vietnam. The new requirements for developing new environmental standards will increase the demand of particularly Clean Tech companies. At present, 95 to 100 Finnish companies work in Vietnam and the demand for Finnish expertise is continuous. New partnerships between Finnish and Vietnamese companies, institutions and schools are creating new opportunities for future sustainable development. (Pulkkinen 2013)

Threats

Corruption is one of the major threats in Vietnam. It affects widely to sectors such as natural resources, education, health and construction. Unstable economic development and economic market are decreasing interest toward international investments. (Pulkkinen 2013) In addition, many things that cannot be predicted in advance are threatening the sustainable development. Due to global warming, storms, heavy rains, droughts, and other climate-related disasters can strike suddenly and annihilate the whole year's crop at a particular areas, or even destroy everything living. Actions toward more environmentally friendly production are in need. (Jukkara 2013)

4.6.2 Opportunities for cooperation through IPP and Team Finland network

The Innovation Partnership Programme (IPP) is an Official Development Assistance programme funded by the governments of Vietnam and Finland. It aims to strengthen Vietnam's National Innovation System and increase the development of science and technology. The IPP was formed after the Government of Vietnam asked the Government of Finland for a help to increase the competitiveness of Vietnamese enterprises. Finnish enterprises, universities and public sector actors sign partnerships with Vietnamese counterparts. These partnerships allow participants to build business and cooperation activities in both countries. The first phase of the programme concentrated on increasing innovation activities by working closely with public authorities, enterprises and universities. Partnerships between Finnish and Vietnamese were highly encouraged. The first phase (2009-2013) is about to end and the second phase is planned to be kicked off during the spring 2014. The IPP is one of the most important tools when moving from development cooperation to broader economic cooperation. (IPP 2013) The first major milestone for the programme was the Vietnamese-Finnish Innovation Forum which was held in Vietnam in October 2013. This two day event gathered together approximately 300 Vietnamese and Finnish leaders from public companies, universities and other research institutions to discuss future innovation and co-operation possibilities between the two countries. Each field of

development business had own seminar and all got a lot of publicity in Vietnam. In order to spread the knowledge of possibilities in Vietnam among Finnish companies, similar event should be organized in Finland as well. For example the network of Team Finland offers a variety of supporting activities for Finnish companies' internationalization. There are quite a lot of companies already using them, but a lot of potential is still missing and it is important to reach companies country wide. When companies have more knowledge and support, there could be more interest toward international activities, not just in Vietnam but other developing countries as well. (Pulkkinen 2013)

The previously mentioned Team Finland network helps Finnish companies to enter foreign markets and it aims to bring together the main authorities and organizations from different areas, and to enhance cooperation between them. Abroad, Team Finland network consists of more than 70 local teams, each bringing together Finnish authorities, publicly funded organizations and other key actors from specific areas. In Finland, the Ministry of Employment and Economy, Ministry of Foreign Affairs, Ministry of Education and the Ministry of Culture together form the core of the network. Team Finland network can help Finnish companies in the following stages of internationalization:

1. *Export promotion and trade missions*

Companies can promote their internationalization through trade missions and export promotion events, which are often carried out by Ministers. Some high level events are led by the President of Finland. Ministers usually act as spokespersons and door-openers. The aim is to increase business opportunities for Finnish companies.

2. *Export financing*

Team Finland network includes various Finnish organizations and companies, which can offer following services for export financing:

- Finnvera can grant loans, domestic guarantees and export guarantees. The funding is meant for the start-up, growth and internationalization phases as well as export risks.

- Finnish Industry Investment together with private co-investors can provide venture capital and equity financing for companies in their growth and internationalization phases.
- Finn Fund provides long-term financing for private-sector projects.
- Finnpartnership offers developing business related advices and financial support in project planning and developing phases as well as training.
- The Ministry of Employment and the Economy, the Ministry of Finance, Tekes as well as the Centre for Economic Development, Transport and the Environment offers internationalization funding for supporting small and medium-sized enterprises at the beginning of their internationalization process.

3. Networking and promotion services abroad

Team Finland-teams working abroad can provide contacts and networking platforms for Finnish companies and other operators. In the destination country, a local team can convey information about important contacts from different areas, arrange meetings with potential partners or other important participants, and organize promotional events for a single company or a whole industry.

4. Promoting and protecting investments abroad

Finland has made bilateral agreements for investment promotion and protection with over sixty countries. These agreements are made to secure Finnish investments abroad as well as foreign investments in Finland.

5. International foresight to businesses

Team Finland's Future Watch service provides international business predictions for Finnish companies. With the provided information companies can develop their business and focus. The service is especially suitable for SMEs seeking for international growth. (Team Finland 2013)

Team Finland coordinator Raimo Ala-Korpi believes that Finnish companies have plenty of opportunities in Vietnam in a various industries. Clean Tech business, including energy, ICT, machinery and equipment, have been and still are the most interested fields of businesses for Finnish companies and investors. Furthermore, the commercial field, educational institutions and Vietnamese authorities need and want more training. Mr. Ala-Korpi thinks that the seminars held in Vietnam were successful and increased the knowledge of the cooperation between Finland and Vietnam by linking companies, Team Finland and local actors in Vietnam. The Forum gave an idea of the level at which Vietnam is and how fast the pace of development is at the moment. He also believes that Team Finland network has an important role in creating cooperation between Finland and Vietnam. All the services provided for companies support the cooperation activities and increase successful outcomes. Answering the requests of Finnish companies, providing concrete facts and updated market info is essential for them to survive in competitive markets. It is important that the business field information is available when either of the participants needs it. Finnish Ambassador Kimmo Lähdevirta thinks that Finland is ready to cooperate with Vietnam and furthermore, the country wants to be involved in Vietnam's success. Plenty of opportunities exists, it is just the matter of taking actions. The following few years will show whether or not Finland and Vietnam will be able to build a new and close cooperation on a commercial basis. (Barbosa 2013)

Mr. Häyrynen thinks that a clear definition on what is Clean Tech and what is not needs to be made. He argues that making water and sanitation available for all does not include in Clean Tech field but should be included in normal infrastructure. Even though there seems to be various opportunities for Finnish companies He says that entering and surviving in Vietnam is extremely hard, based on his own experiences. The local know-how in international business is still primitive and finding good and reliable partners is truly difficult. At the moment, the biggest challenges are knowing and understanding international business and import. Finnish companies surely are eager and have a great amount of uncharted desire to expand their businesses into developing markets, including

Vietnam. However, the severe corruption in the target countries and the unknown process often scare them off. In general the threat of corruption is more severe in Africa than in Asia, but for example China could not care less about the globally set rules of international business. Companies should have great resources and local operations in order to get a successful start. Team Finland gives great promises to help with financing, finding partners and entering the market. However, based on his experience they do not live up to those promises. Mr. Häyrynen's company Suntrica did not receive any of the mentioned support but a warm handshake. Despite his own rather disappointing experiences, he thinks that there is definitely hope for better and more productive cooperation when the matters concerning international business will be improved and lessons learned. It requires time and multiple experiences but Rome was not built in a day. (Häyrynen 2013)

5 CONCLUSION

In this chapter, the author will answer the research questions by comparing the theories from chapters 2, 3 and 4. The author will also evaluate the thesis reliability and validity as well as present suggests for future research.

5.1 In which areas of development Finland should set its main target in order to help Vietnam gain sustainable development?

Vietnam is in such a situation where it no longer needs traditional financial aid to increase economic development. Despite the huge success the country has witnessed, it still faces some major problems such as high corruption and volatile market. The economic growth has mainly based on cheap production at the expense of environment and natural resources. While Vietnam has reached many of the UN MDGs including reducing poverty and hunger, there is still a lot to do with a growing environmental load due urbanization as well as lacking functioning water and sanitation in poor areas. As an individual partner Finland cannot affect much on reducing corruption on a government level. However, there are other activities it can invest in order to help Vietnam gain sustainable development and reach the rest MDGs. The aim is to create public - private partnerships so that they could work without development funding.

According to Mr. Häyrynen the biggest problem to create productive partnerships between Vietnamese and Finnish companies seems to be the lack of knowledge in international business, on the part of Vietnam. Therefore, maybe before creating any businesses or partnerships, information and knowledge should be improved in order to create as solid base as possible. After that Finland should concentrate to support areas where it has great expertise and wide knowledge but at the same time encourage more innovating ways of development. These fields include environmental technology, forestry and information technology. First and foremost, Finland should ensure the sustainability of previous years' cooperation projects. For example, Finland has been one of the greatest and most successful partners in improving water supply and sanitation. The work is not done yet and should be therefore continued. In addition, Finland should continue to support

sustainable use and management of natural resources, increase transparency and entrepreneurship, and develop information technology. Furthermore, now that the old development phase is stepping down and the new era takes over, Finland should concentrate to develop new partnerships between Finnish and Vietnamese companies, institutions and other organizations, and increase the cooperation with Vietnam. On the other hand, if one looks at what has been central for Finnish and Nordic development, huge success has been gained through improving the status of women: the training and education for women and girls, increasing their rights and ensuring their participation. Therefore, this field of development is worthy of support as well.

5.2 How can the development cooperation benefit the most of both parties?

With some development cooperation partners mutual benefits can be more easily sought and achieved than others therefore every cooperation situation should be evaluated as an individual. If the aid receiving country is still at the level of aiming to provide basic needs like shelter, nutrition and clothes to its residents, mutual benefits should not be sought at any way. In situation like this, the benefits of receiving country should play the main role in all levels of cooperation. Helping country should study, listen and aim to provide help needed and wanted. In any case, western rich countries should not march in developing countries and take whatever goods and services they think is needed to develop poor countries economic situations. Development cooperations should start from the third world countries desire to success and reach development goals. No aid is sustainable or beneficial if parties do not commit themselves into the process.

When the receiving country reaches a certain level of development, seeking mutual benefits will come more natural for both parties. After all, no country should rely on development aid for ever but seek for independent development. In order to receive mutual benefits, both parties should have same goals and objectives that need to be clear for all participants. These objectives and policies vary from project to project and are based on the sought outcome. A lot depends on what kind of features the development project is facing and where it takes place. All in all, they should seek for development that increases the sustainability

of the receiving country but can at the same time increase export of the helping country. Taking advantage of the experts from both parties by learning from each others, new and more efficient technologies can be developed. These technologies can be for example further developed into international use, which in turn will increase export yet again. However, as said previously one should keep in mind that before launching more commercial development cooperations, the development situation of the receiving country has to be carefully examined. It is vital. Trade cannot take place if either one of the countries does not have anything to trade for. Seeking for solely own advantage leads to conflicts and negative results.

5.3 Can the cooperation between Finland and Vietnam be commercially organised?

Now that Vietnam has experienced significant economic development the country does not need the basic financial aid anymore. To address the problems the country is currently facing, commercial cooperation projects can be developed between Finnish and Vietnamese companies, institutions and other organizations. Therefore Finnish operators should seize the opportunity to enter Vietnamese markets with innovative products and services. However, no matter how developed a recipient country is, all development cooperation projects should start with a partnership between the helper country/ countries and the help receiving country.

After substantial economic growth, the Vietnamese market is wider and full of opportunities. Vietnamese government has begun to pay more attention to a clean and green production, which improves air quality and puts less pressure on the environment. The country is calling for help in Clean Tech field in order to improve the sustainability. This creates plenty of opportunities for Finnish companies to export their products, services and knowledge to Vietnam. There are many Finnish companies that would surely be able to find solutions to problems in developing countries and cooperation with a domestic company and a company in need would produce the desired mutual benefits as well as be more commercial. The problem seems to be that Finnish companies and institutions do not know the

opportunities that they have. Developing countries have never been very attractive due to the level of corruption and volatile economic situations. Now the situation is slowly changing and there is an increasing number of supporting organizations. For example Team Finland network provides help and funding for Finnish companies to enter Vietnamese markets. It highly encourages companies and institutions to take advantage of the support provided as well as the opportunities available and changing the era of development into more commercial. Whether or not this help and support is really valuable for Finnish companies remain to be seen. According to Mr. Häyrynen his company did not receive any support at all and thereof does not believe the power of the network. The author does not know how it has worked with other companies.

5.4 Is development cooperation necessary?

The forms of development cooperation and development aid has changed over the past 40 years: first from massive individual projects such as Pha Rung to smaller cultural and environmentally friendly interventions that are part of the receiving country's own structure. The emphasis has been put on the sustainability and productivity of the projects as well as local ownership. What used to be financial development aid is now development cooperation and partnerships between helping and receiving countries. Both forms are vital for third world countries to be able to escape poverty. First, financial aid and other aid projects give an opportunity for a developing country to rise from the very bottom. Later on, development cooperation projects provides opportunities to survive on their own and develop both economic and other aspects independently. While the help is still essential, and most likely will always be, it should concentrate on inventing new and more sustainable ways of cooperations. The agenda cannot only be targeted at developing countries, it should include all countries no matter the level of development. Western countries cannot pretend that the actions they take would not affect on others. The capital seems to yield third world countries while flowing to developed and industrialized through multinational companies. The world elites control money flows by controlling trade and preferring globalization.

Even though, corruption is a serious problem occurring not only in the receiving country's management level but also in aid organizations, without any control or help from westerns, many third world countries would have experienced a lot less development. Finland as a very small operator with scarce resources has been able to get quite impressive results from its projects. It would be brave to claim that the country has been able to reduce poverty but it has been able to provide jobs through development cooperation projects, increase health care and access to drinkable water. Finland has also made a great difference in various countries by promoting women's rights and access to land ownership. Furthermore, as a more modern way of development, Finland has been one of the first promoters of cultural development. Development work can make a difference. However, one has to keep in mind that from all the capital flows from North to South, investments and the money that immigrants send home is way more than the money moving in development cooperations. This puts into perspective the fact how much or how little development work can affect. Despite that, development aid and development cooperation is vital for many countries in the world and should therefore be continued. One can only wonder if all the money in the world would be shared equally, how long would it take to flow right back to where it is now leaving poor without anything, once again.

5.5 Reliability and validity

As mentioned in the chapter 2.1.1 the data concerning developing countries can not be 100 percent trusted. Furthermore, the author came across some problems concerning numerical country figures as well as historical dates. Depending on the source, all the figures concerning any economical aspects varied, in some cases quite a lot. Different studies had different commercial purposes, therefore the figures cannot be fully trusted. In addition, more than one source proved, mentioned in the chapter 4.1 that the history of Vietnam has been rewritten over the past decades, thus also the dates can vary from source to source. However, as the research questions do not require specific figures or dates to establish reliable answers, the author believes that a study conducted under the same conditions would lead to similar results.

When considering the validity, the author believes that the thesis accurately and successfully reflects the measures that were meant to be measured. The concepts of poverty and development work were studied in order to develop a deeper understanding of the situation in developing countries. Furthermore, certain facts on Vietnam, such as economic development and cooperation between Vietnam and Finland were studied in order to give a better understanding of the history between the two countries, the present situation of development and future hopes and expectations. When the author got a better understanding, she was able to answer the research questions by comparing the information established in each chapter.

5.6 Suggestions for future research

While the thesis only scratches the surface of the more commercial era for development aid, the topic could be studied more in depth. After a few years, Finnish companies that have entered developing countries and cooperated with local companies could be interviewed about the process. Questions such as whether companies find the process relatively easy to enter, how it could be made more attractive and how it could gain more public knowledge could be asked. Furthermore, experiences, processes and practicalities in Vietnam's market could be studied especially, since the country has been Finland's long term bilateral cooperation partner. Finland is also the first large scale partner in creating commercial development cooperation and is thus moving from financial aid to partnerships between companies, institutions and other research organizations.

6 SUMMARY

In brief, the main objective of the thesis was to find out the most beneficial and sustainable ways of development cooperation activities for Finnish development work in Vietnam. Whether or not these activities could be carried out in a more commercial way was studied as well. First, the topic of poverty was studied to understand the severe condition of poor people and the need for development cooperation and development aid. Then, the different ways of development work were studied in order to better understand what development cooperation is, how it has been helping poor countries and how the future looks. On the other hand, also negative aspects were considered. The study concentrated only on development aid provided by nations, thus excluded all work done by development aid agencies and other participants.

Later on, the country of Vietnam, its history, development, market and cooperation activities with Finland were studied. Furthermore, the first two theoretical parts were combined and compared to get a better understanding of the present situation as well as future hopes and expectations for Vietnam's sustainable development. The study suggested that Finland should concentrate on investing and exporting clean tech business into Vietnam as well as improving the knowledge about possible partnerships, also in Finland. In order to gain mutual benefits from development cooperation, partnerships should be created between Finnish and Vietnamese companies, institutions and other research organizations. The development cooperation should concentrate on achieving the same sustainable goals that Vietnamese government aims to achieve. The cooperation between Finland and Vietnam seems to be moving towards a more commercial direction. Whether or not it will be beneficial and sustainable in the future, only time will tell. Yet, in order to be able to create commercial development cooperations with any country, the receiving, developing country must have reached a certain level of development.

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APPENDICES

APPENDIX 1. Vietnam's country info. (modified from Central Intelligence Agency 2013)

INDICATOR		UNIT
TOTAL LAND AREA	310,070	SQUARE KILOMETER
COAST LINE	3,444	KILOMETER
POPULATION TOTAL	92,477,857	
FEMALE	50.6	PERCENT
MALE	49.4	(JULY 2013 EST.)
MEDIAN AGE TOTAL	28.7	
FEMALE	29.7	YEARS
MALE	27.6	
BIRTH RATE	16.56	BIRTHS/ 1,000 POPULATION (2013 EST.)
DEATH RATE	5.94	DEATHS/ 1,000 POPULATION (2013 EST.)
POPULATION GROWTH RATE	1.03	PERCENT (2013 EST.)
URBAN POPULATION	30	PERCENT
AVERAGE ANNUAL GROWTH RATE OF THE URBAN POPULATION	3.4	PERCENT
LIFE EXPECTANCY AT BIRTH	72.2	YEARS
HIV/AIDS	280,000	(2009 EST.)
LITERACY	94	PERCENT
POPULATION BELOW POVERTY LINE	11.3	PERCENT (2012 EST.)

APPENDIX 2

Viet Nam's GDP (modified from Trading Economies 2013).

GDP INDICATORS	LAST		PREVIOUS	FORECAST	UNIT
GROSS DOMESTIC PRODUCT	110.19	DEC 2012	96.41	97.67	EURO BILLION
GDP GROWTH RATE	5.00	JUN 2013	4.76	5.28	PERCENT
GDP PER CAPITA	589.10	DEC 2011	562.14	591.34	EURO

APPENDIX 3

Vietnam's terms of trade (modified from Trading Economies 2013).

TRADE INDICATORS	LAST		PREVIOUS	FORECAST	UNIT
BALANCE OF TRADE	-156.55	JUN 2013	-432.85	-248.77	EURO MILLION
CURRENT ACCOUNT	176.90	JUN 2011	-3355.59	441.52	EURO MILLION
EXPORTS	27504.56	DEC 2010	27504.56	27482.52	EURO MILLION
IMPORTS	9079.74	JUN 2013	9571.30	8755.42	EURO MILLION
TERMS OF TRADE	99.50	JUN 2011	104.83	99.30	INDEX POINTS